



City of Cumberland Maryland



City Hall Rotunda, Cumberland, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Comprehensive Annual Financial Report

of the

City of Cumberland Maryland

For the Fiscal Year Ended June 30, 2010

MAYOR
Lee N. Fiedler

COUNCIL MEMBERS

Floyd "Pete" Elliott
Harold "Butch" Hendershot

Brian K. Grim
Mary Beth Pirolozzi

CITY ADMINISTRATOR
Jeffrey E. Repp

Prepared By:
Joseph D. Urban, CPA, Comptroller

***City of Cumberland
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Introductory Section



P.O. BOX 1702
MARYLAND

21501-1702
(301) 722-2000
T.D.D. 1-800-735-2258

December 23, 2010

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Cumberland, Maryland

State law requires that all general purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Cumberland, Maryland, for the year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with emphasis on internal controls and legal

requirements involving the administration of federal awards. These reports are available in the City of Cumberland's separately issued Single Audit Report.

The Management Discussion and Analysis portion of the financial statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2010. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cumberland is empowered to levying a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring both the City Administrator and the City Solicitor. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the city government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The cities schools and library are operated by Allegany County, Maryland.

The City of Cumberland was incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 20,758 and a land area of 9.1 square miles. The City has operated under the Council-Manager form of government since 1981.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within the City of Cumberland operates.

Economic Condition and Outlook

Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major industrial employers: Alliant Tech (Rocket Center, MD), CSX (Cumberland, MD), and Westvaco (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County has increased with the rest of the State, and currently has an unemployment rate of 8.93%, as compared to 7.1% for Maryland.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract a number of light manufactures in

(Hunter Douglas) and (Bayliner), along with service industries (Biospherics) and (Litton Industries), as well as government employers Western Correctional Institute, the Federal Correctional Institute and North Branch Correctional Institute.

Even with the regions increased job opportunities and stabilized economy, median household income has remained stagnant as compared to the rest of Maryland as the State's median household income increased from \$48,550 in 1997 to \$70,545 in 2009. While Allegany County has seen its median household income increase, it still lags greatly behind the rest of the State with income of \$29,050 in 1997 to \$39,494 in 2009. The reason for this is because, although the region has seen an influx of job opportunities, these jobs are consistently lower paying than the previous high-paying manufacturing jobs of the 1980's. These economic circumstances are particularly reflected within the families of the lower end of the economic ladder. According to the 1990 U.S Census, Allegany County poverty stood at 16.5% for all residents and 24.2% for children under the age of 18. It would be expected that the increased job opportunities and stabilized unemployment rate would drastically reduce these poverty numbers, however, according to the 2000 U.S. Census, the poverty numbers have not declined; in fact, they have risen. The 2000 Census listed the overall poverty rate for Allegany County as 19.8% and 29.4% for children under the age of 18. With the regions continued economic development and continuing stabilized economy, specifically over the past five years, it is expected that these numbers will drastically decline with the 2010 Census, which is scheduled to be released after January 1, 2011.

Significant Financial Policies

The City has a conservative approach to investment management wherein there is a balance between maximizing return on its investments and ensuring that its investments are properly secured. To achieve this goal, the City has an investment policy that is consistent with Maryland Law and requires collateralization of 102% of market value of investments. With the exception of direct purchase of U.S. Treasury's, no more than 90% of the City's total investments may be placed at the Maryland Local Government Investment Pool and no more than 70% of the City's total investment may be placed at any one financial institution. Consistent implementation of this policy when the market is experiencing moments of volatility has preserved the foundation of the City investments. This policy is described in greater detail in Note #2 to the city's financial statement, titled "Cash and Investments."

On October September 29, 2009, the Mayor and City Council approved a "Debt Management Policy" to establish guidelines for the issuance and management of the City's debt. The policy confirms the commitment of the Mayor and City Council, the City Administrator, other City management and staff and advisors to: i) adhere to sound debt issuance and management practices, including the full and timely repayment of all borrowings; ii) achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and iii) obtain unfettered access to the capital markets through preserving and enhancing of the quality of the City's bonds and other debt.

Long Term Planning

In June 2005, the City issued its "Sustainable Economic Development Strategic Plan" that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation and hiring of an economic development specialist and the recent hire of a city planner. The plan is available at the City's web site www.ci.cumberland.md.us.

The financial strength of the City has allowed the City to issue \$9,070,000 in general obligation bonds in October 2008. The main purpose of these bonds was to fund improvements to the various streets throughout the City. These bonds received a rating of AA by Fitch and a rating of AAA by S&P. In October 2009 the City issued Water Quality Bonds in the amount of \$6 million and \$3,657,700, which were financed by the Maryland Water Quality Financing Administration with a zero percent interest rate. In addition, the \$6 million bonds were financed by a forgivable loan from the State of Maryland. The detail of this debt is discussed in note 18 to the financial statements.

The Western Maryland Health System officially opened doors to begin providing the tri-state area residents with comprehensive health care on November 21, 2009. This is a state-of-the-art facility that rises seven stories and has 275 beds and covers 585,000 square feet of space. This facility enables the Western Maryland Health System to continue to provide a level of care that patients once had to travel to Baltimore, Washington D.C. or Pittsburg to receive. This new facility is expected to have a positive impact on the City's economic growth.

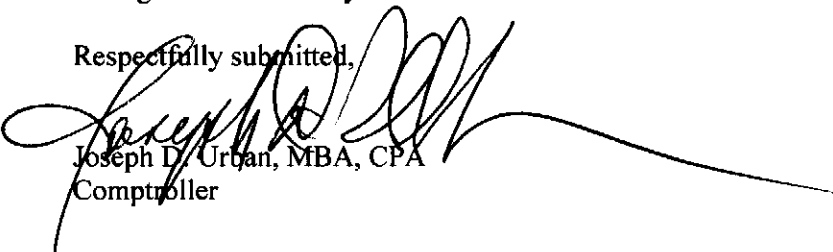
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the third year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Administrator and the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted,



Joseph D. Urban, MBA, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cumberland
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information

Central Contact Information:

City of Cumberland
57 North Liberty Street
Cumberland, Maryland
21501-1702
(301) 722-2000

Mayor and Council:

Lee N. Fiedler, Mayor
lfiedler@ci.cumberland.md.us

Floyd "Pete" Elliott, Councilman
felliott@ci.cumberland.md.us

Brian K. Grim, Councilman
bgrim@ci.cumberland.md.us

Harold "Butch" Hendershot, Councilman
hhendershot@ci.cumberland.md.us

Mary Beth Pirolozzi, Councilman
mbpirolozzi@ci.cumberland.md.us

Administration:

Jeffrey E. Repp, City Administrator
jrepp@ci.cumberland.md.us

Margie Eirich, City Clerk
meirich@ci.cumberland.md.us

Brenda Smith, Economic Development
brendasmith@allconet.org

Human Resources
April Howser
ahowser@ci.cumberland.md.us

City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information (continued)

Fire Department
Chief William G. Herb
wherbaugh@ci.cumberland.md.us

Police Department
Chief Charles Hinnant
chinnant@ci.cumberland.md.us

Public Works:

Engineering
John DiFonzo
jdifonzo@ci.cumberland.md.us

Maintenance
John Chapman
jchapman@ci.cumberland.md.us

Utilities
Fred Streett
fstreett@ci.cumberland.md.us

Administrative Services:

Director
Jeffrey D. Rhodes
jrhodes@ci.cumberland.md.us

Community Development
Jay Oliver
joliver@ci.cumberland.md.us

Finance and Collections
Joseph D. Urban
jurban@ci.cumberland.md.us

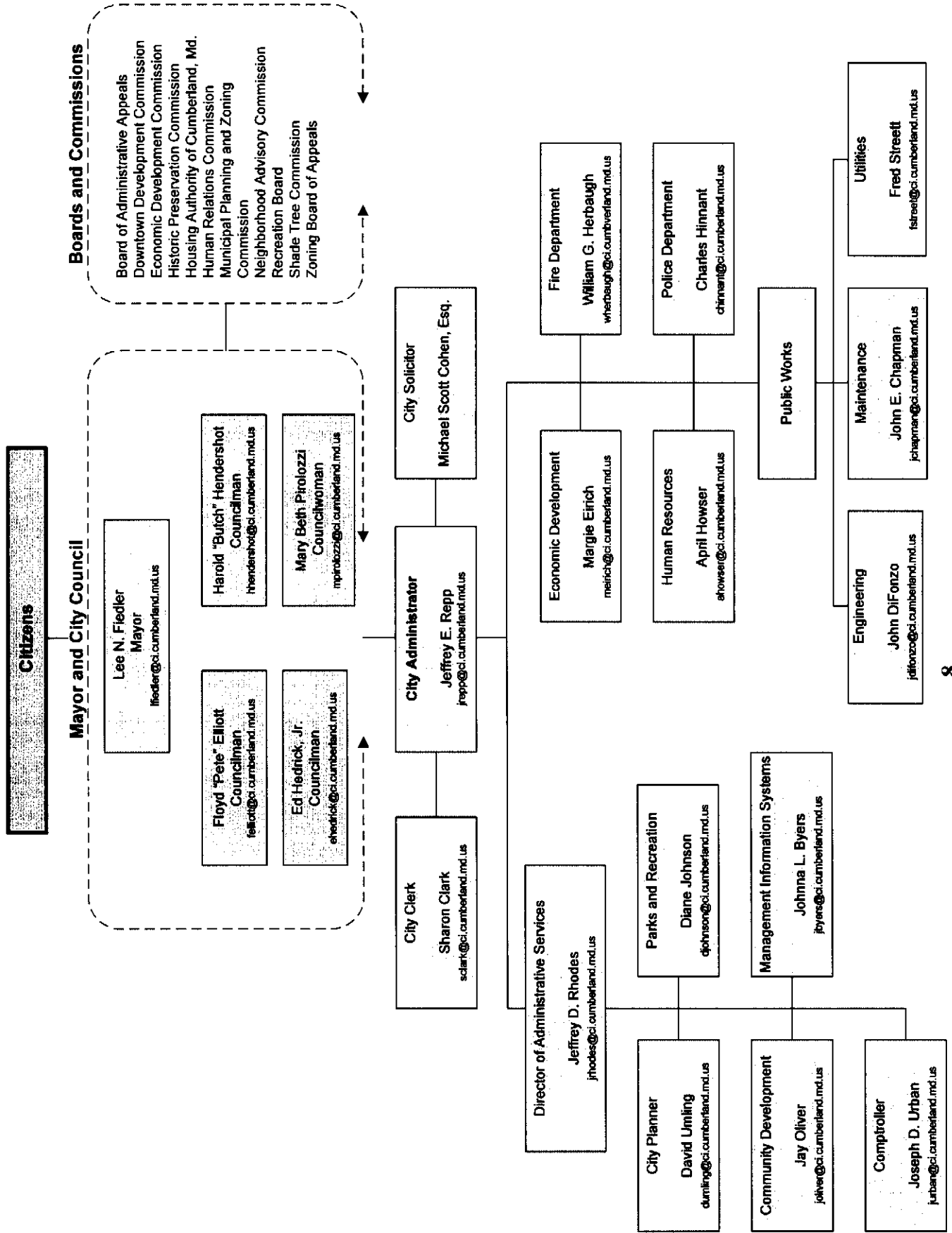
Management Information Systems
Johnna L. Byers
jbyers@ci.cumberland.md.us

Parks and Recreation
Diane Johnson
djohnson@ci.cumberland.md.us

Planning
David Umling
dumling@ci.cumberland.md.us

City of Cumberland Organizational Chart

(June 2007)



Financial Section

David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



217 Glenn Street, Suite 200
Cumberland, Maryland 21502
Phone: 301.759.3270
www.thkcpas.com

Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 19, budgetary comparison information on page 66 and the schedule of other post-employment benefit obligations on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Turnbull, Hoover + Kahl, P.A.

Cumberland, MD
December 22, 2010

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cumberland's financial performance provides an overview of the City's financial activities for the fiscal years ended June 30, 2010 and 2009, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

FINANCIAL HIGHLIGHTS

- The City's governmental activities net assets are \$11.9 million and \$10.4 million for fiscal years 2010 and 2009 respectively. There was a decrease in the liability for compensated absences of \$1.0 million in the governmental activities and \$0.4 million in the business-type activities due to the elimination of the payout of sick leave upon retirement for most employees. The net assets of business-type activities are \$58.5 million and \$42.1 million for fiscal years 2010 and 2009 respectively. Net assets of governmental activities increased \$1.4 million and \$0.5 million for fiscal years 2010 and 2009 respectively. Net assets of business-type activities increased \$16.4 million and \$2.6 million for fiscal years 2010 and 2009 respectively.
- During the year, the City incurred net expenses of \$13.2 million and \$13.3 million, in comparison to the \$8.3 and \$8.9 million generated in program revenues for governmental programs for fiscal years 2010 and 2009. General revenues in the amount of \$12.6 million and \$11.7 million and transfer fees of \$2.1 million and \$2.0 million with a surplus of \$1.4 million for FY 2010 and \$.6 million for FY 2009.
- The City's business-type activities generated \$18.3 and \$4.6 million of total revenue in excess of \$13.4 and \$13.1 million of expenses for fiscal years 2010 and 2009. The most significant component was from \$16.3 million of capital contributions from the State of Maryland related to the new ENR treatment plant.
- The total cost of all of the City's programs was \$35.0 million for fiscal year 2010, and \$35.2 million for fiscal year 2009. There were no new programs added in FY 2010.
- On the Fund Financial Statements, the General Fund reported a \$0.2 million surplus and \$0.7 million surplus for the fiscal years 2010 and 2009. There was a decrease in Highway User and Police Protection Revenues from the State of Maryland of \$1.2 million, which is part of the intergovernmental revenues.
- The City has its Worker's Compensation claims prepaid where the City prefunded the payment of claims and has recorded this as a prepaid expense in the amount of \$1,740,782 for governmental activities and in the amount of \$391,512 for business type

activities. For the government-wide statements there is a related contingent liability. This matter is explained in further detail in Note 18, "Risk Management" to the financial statements.

- On October 14, 2009 the City settled on the sale of an asset known as the Naval Reserve Property, located at 1 James Day Drive, for a sale price of \$1,350,000. On October 16, 2009, the City issued Water Quality Bonds Series 2009A in the amount of \$3,657,700 and Water Quality Bonds Series 2009B in the amount of \$6,000,000 (which were sold to the State of Maryland) for the ENR Project. These bond issues are discussed in Note 8, Long Term Liabilities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements known as the basic financial statements. The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities that provide information about the activities of the City as a whole and present a long-term view of the City's finances. Also included are Fund Financial Statements. For governmental activities, these statements reflect how these services were financed in the short term, as well as what is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

An analysis of the City as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

These two statements report the City's net assets and changes in them. The City's net assets reflect the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator as to whether the City's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire & ambulance, public works, parks and recreation department and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

- *Business-type Activities* – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City’s water and sewer systems, parking facilities, and trash collection operations are reported here.

REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

An analysis of the City’s major funds reflected in the Fund financial statements provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (specific projects), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds, governmental and proprietary, use different accounting approaches. Beginning in fiscal year 2005, the Housing Assistance Fund became a major governmental fund and in fiscal year 2009 the CDBG Fund and the Street Improvement Fund became major funds, under the criteria required by GASB and for fiscal year 2007, the Municipal Parking Authority Fund became a major proprietary fund.

- *Governmental Funds* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City’s programs. The relationship (difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Assets report on page 23.
- *Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net assets are \$70.4 million and \$52.5 million, with total revenues of \$52.8 million and \$38.2 million and total expenses of \$35.0 million and \$35.2 million for fiscal years 2010 and 2009, respectively.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	FY10	FY09	FY10	FY09	FY10	FY09
Current and Other Assets	\$ 14,913,094	\$ 15,984,485	\$ 8,268,130	\$ 4,270,218	\$ 23,181,224	\$ 20,254,703
Capital Assets	<u>22,120,503</u>	<u>21,462,324</u>	<u>90,376,584</u>	<u>68,041,734</u>	<u>112,497,087</u>	<u>89,504,058</u>
Total Assets	<u>37,033,597</u>	<u>37,446,809</u>	<u>98,644,714</u>	<u>72,311,952</u>	<u>135,678,311</u>	<u>109,758,761</u>
Long-term Debt (net of current portion)	19,754,221	21,748,924	28,242,387	24,821,498	47,996,608	46,570,422
Other Liabilities	<u>5,421,833</u>	<u>5,258,240</u>	<u>11,863,557</u>	<u>5,373,269</u>	<u>17,285,390</u>	<u>10,631,509</u>
Total Liabilities	<u>25,176,054</u>	<u>27,007,164</u>	<u>40,105,944</u>	<u>30,194,767</u>	<u>65,281,998</u>	<u>57,201,931</u>
Net Assets:						
Invested in Capital Assets (net of debt)	15,427,981	14,988,772	57,597,712	42,359,859	73,025,693	57,348,631
Restricted	917,895	886,915	-	-	917,895	886,915
Unrestricted (deficit)	<u>(4,488,333)</u>	<u>(5,436,042)</u>	<u>941,058</u>	<u>(242,674)</u>	<u>(3,547,275)</u>	<u>(5,678,716)</u>
Total Net Assets	<u>\$ 11,857,543</u>	<u>\$ 10,439,645</u>	<u>\$58,538,770</u>	<u>\$42,117,185</u>	<u>\$70,396,313</u>	<u>\$52,556,830</u>

Changes in Net Assets (In Millions)

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		Total Primary <u>Government</u>	
	FY10	FY09	FY10	FY09	FY10	FY09
Revenues						
Program Revenues						
Charges for Service	\$2.0	\$2.3	\$15.4	\$15.6	\$17.4	\$17.9
Operating Grants	6.0	5.9			6.0	5.9
Capital Grants	0.3	0.7	16.4	2.1	16.7	2.8
General Revenues:						
Property Taxes	10.3	9.4			10.3	9.4
Other Taxes	0.5	0.4			0.5	0.4
Shared Revenues	1.5	1.4			1.5	1.4
Unrestricted Investment Earnings	0.1	0.1		0.0	0.1	0.1
Gain on sale of capital asset			0.2		0.2	
Miscellaneous	<u>0.1</u>	<u>0.4</u>	<u>—</u>	<u>—</u>	<u>0.1</u>	<u>0.4</u>
TOTAL REVENUES	<u>20.8</u>	<u>20.6</u>	<u>32.0</u>	<u>17.7</u>	<u>52.8</u>	<u>38.3</u>
Program Expenses						
General Government	2.0	2.3			2.0	2.3
Public Safety	9.8	10.6			9.8	10.6
Public Works	2.9	3.1			2.9	3.1
Recreation	1.0	1.0			1.0	1.0
Community Development	4.8	4.3			4.8	4.3
Interest on LT Debt	1.0	0.9			1.0	0.9
Water			6.3	6.2	6.3	6.2
Sewer			5.2	5.2	5.2	5.2
Municipal Parking						
Authority			0.5	0.5	0.5	0.5
Trash			1.1	1.1	1.1	1.1
Property Rental	<u>—</u>	<u>—</u>	<u>0.3</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>
TOTAL EXPENSES	<u>21.5</u>	<u>22.2</u>	<u>13.4</u>	<u>13.1</u>	<u>34.9</u>	<u>35.3</u>
Excess Before Transfers	-0.7	-1.6	18.6	4.6	17.9	3.0
Transfers	<u>2.1</u>	<u>2.1</u>	<u>-2.1</u>	<u>-2.1</u>	<u>—</u>	<u>—</u>
Change in Net Assets	1.4	0.5	16.5	2.5	17.9	3.0
Net Assets-Beginning	<u>10.4</u>	<u>10.0</u>	<u>42.1</u>	<u>39.5</u>	<u>52.5</u>	<u>49.5</u>
Net Assets-Ending	<u>\$11.8</u>	<u>\$10.5</u>	<u>\$58.6</u>	<u>\$42.0</u>	<u>\$70.4</u>	<u>\$52.5</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$8,825,215 and \$10,494,397 million for fiscal years 2010 and 2009. This is a decrease of \$1.7 million compared to fiscal year 2009, where \$1.2 was attributable to the GOB debt proceeds used for street improvements.

For the General Fund, most operating costs remained relatively stable from FY 2009. Public Safety expenses were reduced by \$200,246, most of which was overtime reductions and one-time 2009 expenses. The City did not issue any new bonds, resulting in a reduction of bond issue costs by \$222,271 from FY 2009. The Street Improvement Fund saw an increase in capital outlay in the amount of \$1,034,832. CDBG Fund saw a decrease in expenditures related to the one-time \$1.4 million loan proceeds for the HRDC facility in FY 2009.

Fiscal year 2010, showed an increase in taxes of \$553,402, due in part to the increase in assessable property values. There was a decrease in intergovernmental revenues from the State of Maryland for approximately \$1.3 million in revenue, but this was offset by an increase in other intergovernmental grant revenues for the HRDC facility construction. There was also a decrease in charges for services, including \$184,081 for a reduction in ambulance services and \$90,790 for drug forfeiture/seizure funds.

The water fund expenditures remained relatively stable but the revenue for this fund in decreased slightly. There was a slight decrease in water revenue of \$159,775, but there was still a net operating income in the amount of \$2,261,606, before transfers and non-operating expenses. The sewer fund realized a significant increase in capital contributions of \$15,688,418, related to the construction of the new ENR facility. Operating revenues and expenses for the Sewer Fund remained relatively stable from FY 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year. The second category includes changes that the Council made during the third quarter to adjust for unforeseen savings and expenses and to reflect a more accurate budget. Lastly, the Council approved several increases in appropriations to prevent budget overruns.

With these adjustments, the actual charges to appropriations (expenditures) were \$63,278 and \$1,074,258 below the final budgeted amounts for fiscal years 2010 and 2009. The main increase in expenditures was for pass-thru grants for the construction of the HRDC facility.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010 and 2009, the City had \$22.1 and \$21.5 million invested in a broad range of capital assets for Governmental activities and \$90.4 and \$68.0 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which major projects included \$3,620,403 for the Ridgedale Tank Project, \$3,118,690 for the Water Meter Network Upgrade, \$18,292 for Check Processing Equipment. The major projects that are still active and had additions to Work In Process for FY 2010 are as follows: ENR Improvements for \$25,336,413, CSO Phase II for \$3,002,765, Rolling Mills Project for \$666,297, WFP Chlorine System for \$36,388 and Memorial Avenue Water Main for \$25,934.

In the Governmental activities, the City completed several projects including Public Safety Building improvements for \$552,857, Lighting improvements for \$57,143, Marion Street Bridge improvements for \$172,678 and Paving Projects for \$216,223. There are multiple projects that are still active, including: Rolling Mill Access Road for \$3,193,067, Henderson Avenue Bridge for \$23,245, Washington Street Improvements for \$679,283, Virginia Avenue Project for \$532,259 Henderson Avenue Improvements for \$69,726 Street Pavement Projects for \$263,766 and \$183,089 for other miscellaneous projects. In addition the City acquired new equipment that cost a total of \$100,604, which was added to the City's Capital Asset System including In-car Computers for \$10,058, Public Safety vehicle for \$25,157, Office Equipment for \$6,450, Public Works Equipment for \$13,950 and other miscellaneous equipment for \$44,989.

Additional detail regarding Capital Assets can be found in Note 6 to the financial statements, titled "Capital Assets."

Debt

At year-end, the City had \$50.1 million and \$47.5 million in bonds, notes and leases outstanding for fiscal years 2010 and 2009.

Outstanding Debt at Year-End

	Governmental		Business-Type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	FY10	FY09	FY10	FY09	FY10	FY09
General Obligation Bonds	\$16,705,844	\$17,257,140	\$27,897,779	\$23,857,252	\$44,603,643	\$41,114,392
Notes and Leases	<u>2,851,918</u>	<u>3,424,629</u>	<u>2,644,322</u>	<u>2,984,845</u>	<u>5,496,240</u>	<u>6,409,474</u>
Totals	<u>\$ 19,557,762</u>	<u>\$ 20,681,769</u>	<u>\$ 30,542,101</u>	<u>\$ 26,842,097</u>	<u>\$ 50,099,883</u>	<u>\$ 47,523,866</u>

In fiscal year 2010, the City authorized \$9,657,700 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration, of which \$6,000,000 is to be forgiven in October 2019. The amount advanced under these bonds was \$4,335,087 at June 30, 2010. The detail of the various operating leases can be found in Note 8 of the financial statements, which also includes additional detail regarding the City's debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City/County now stands at 8.7%, which was a 0.1% increase from FY 2009. This compares with the State's unemployment rate of 7.3%.

The City continues to experience a gradual increase in real property values within the City. However, the State of Maryland reduced its contribution for Highway User Revenue and Police Subsidy by \$1.3 million three months into the FY 2010 fiscal year. The City has taken a number of steps to address this budget shortfall, including a major reduction of its OPEB health care for retirees and an early retirement incentive program, wherein most vacancies that are created will not be filled. These reductions and other operating cost savings should provide the needed expenditure reductions.

The City has added no new major programs or initiatives to the 2011 budget.

In October 2010 the City obtained a 15 year loan in the amount of \$1,532,200 to finance upgrades to the HVAC system at the Memorial Campus Facility. This loan has an interest rate of 6.0% with semi-annual payment due each April 1st and October 1st, where the first payment is due on April 1, 2011.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or if additional financial information is needed, please contact the City Comptroller's Office at 57 N. Liberty Street, Cumberland, Maryland, 21502 or 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash	\$ 161,353	\$ 100,602	\$ 261,955
Investments	240,630	6,304	246,934
Taxes receivable	1,908,743		1,908,743
Accounts receivable	285,241	1,649,613	1,934,854
Accrued interest receivable	27,907	-	27,907
Due from other governments	1,071,434	4,603,863	5,675,297
Internal balances	(1,041,107)	1,041,107	-
Prepaid expenses	1,753,252	391,512	2,144,764
Inventory	7,482	272,652	280,134
Total Current Assets	4,414,935	8,065,653	12,480,588
Noncurrent assets:			
Housing loans receivable	321,627		321,627
Loans receivable	584,373		584,373
Notes receivable	1,040,477		1,040,477
Restricted cash	4,563,155		4,563,155
Restricted investments	3,727,792	44,671	3,772,463
Property, plant and equipment:			
Land and land improvements	974,596	814,579	1,789,175
Buildings & improvements	14,266,301	91,548,710	105,815,011
Machinery and equipment	6,960,541	4,477,083	11,437,624
Infrastructure	20,955,153		20,955,153
Construction in progress	4,874,709	29,067,799	33,942,508
Accumulated depreciation	(25,910,797)	(35,531,587)	(61,442,384)
Other assets		25,000	25,000
Deferred charge	276,911	132,806	409,717
Net OPEB asset	3,824		3,824
Total Non-Current Assets	32,618,662	90,579,061	123,197,723
Total Assets	\$ 37,033,597	\$ 98,644,714	\$ 135,678,311
LIABILITIES:			
Current liabilities:			
Accounts payable	1,960,911	7,022,312	8,983,223
Accrued wages	473,922	156,769	630,691
Accrued interest	272,199	175,126	447,325
Unearned revenue	538,697	-	538,697
Deposits payable	21,878		21,878
Current portion of compensated absences	804,916	244,554	1,049,470
Current portion of workers' comp payable	270,270	84,461	354,731
Current portion of bonds and notes payable	1,079,040	4,180,335	5,259,375
Total Current Liabilities	5,421,833	11,863,557	17,285,390
Noncurrent liabilities:			
Bonds and notes payable (net of current portion)	18,478,722	26,216,246	44,694,968
Compensated absences (net of current portion)	162,231	98,652	260,883
Retainage payables	239,012	1,654,277	1,893,289
Workers' comp claims payable (net of current portion)	874,256	273,212	1,147,468
Total Non-Current Liabilities	19,754,221	28,242,387	47,996,608
Total Liabilities	25,176,054	40,105,944	65,281,998
NET ASSETS:			
Investment in capital assets (net of related debt)	15,427,981	57,597,712	73,025,693
Restricted for:			
Community Development	451,752		451,752
Housing Assistance Program	39,059		39,059
Noncapital Purposes	427,084	-	427,084
Unrestricted (Deficit)	(4,488,333)	941,058	(3,547,275)
Total Net Assets	11,857,543	58,538,770	70,396,313
Total Liabilities and Net Assets	\$ 37,033,597	\$ 98,644,714	\$ 135,678,311

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses		Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
				Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:										
General government	\$	2,931,719	\$	(923,464)	\$	694,279	\$	47,875	\$	(1,266,101)
Public safety		9,770,827				1,160,036		967,155		(7,643,636)
Public works		3,340,244		(391,924)		-		226,069		(2,454,706)
Recreation		961,292		-		101,905		8,861		(818,326)
Community development and housing		4,849,201				79,104		4,742,899		(26,225)
Interest on long-term debt		1,019,308								(1,019,308)
Total Governmental Activities		22,872,591		(1,315,388)		2,035,324		5,992,859		(13,228,302)
Business-type Activities:										
Water		5,688,819		631,386		7,980,068			1,736,644	1,736,644
Sewer		4,655,631		591,925		5,326,583			16,443,669	16,443,669
Municipal Parking Authority		524,639				660,608			135,969	135,969
Trash		961,733		92,077		1,305,827			252,017	252,017
Property Rental		301,875				87,998			(213,877)	(213,877)
Total Business-type Activities		12,132,697		1,315,388		15,361,084		-	18,354,422	18,354,422
Total Government		\$ 35,005,288		\$ -		\$ 17,396,408		\$ 5,992,859	\$ 18,354,422	\$ 5,126,120
General Revenues:										
Taxes:										
		Property taxes					\$ 10,309,651			\$ 10,309,651
		Franchise Fees					281,486			281,486
		Other Taxes					209,624			209,624
		Shared revenues - income tax					1,477,345			1,477,345
		Investment earnings					134,696		3,603	138,299
		Gain on sale of capital assets					-		152,383	152,383
		Miscellaneous					144,575			144,575
Transfers										
		Total General Revenues and Transfers					2,088,823		(2,088,823)	-
		Change in Net Assets					14,646,200		(1,932,837)	12,713,363
		Net Assets - Beginning					1,417,898		16,421,585	17,839,483
		Net Assets - Ending					10,439,645		42,117,185	52,556,830
							\$ 11,857,543		\$ 58,538,770	\$ 70,396,313

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Housing Assistance Fund	CDBG Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 31,203	\$ 2,369	\$ 57	\$ 4,515,193	\$ 127,724	\$ 4,676,546
Investments	52,092			3,579,570	188,538	3,820,200
Taxes receivable	1,873,738				35,005	1,908,743
Accounts receivable	280,215	-			5,026	285,241
Due from other governments	552,018	-	187,244		332,172	1,071,434
Interfund receivables	59,749	-		225,000	217,300	502,049
Prepaid expenditures	1,740,782	-	-		12,470	1,753,252
Inventory	7,482					7,482
Restricted cash	46,833		1,129			47,962
Restricted investment	128,160		11,683		8,379	148,222
Housing loans receivable					321,627	321,627
Loans receivable					564,373	564,373
Notes receivable			1,040,000		477	1,040,477
Total Assets	\$ 4,772,272	\$ 2,369	\$ 1,240,113	\$ 8,319,763	\$ 1,813,091	\$ 16,147,608
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,032,803	\$ 7,100	\$ 166,907	\$ 509,188	\$ 244,913	\$ 1,960,911
Accrued wages	440,658	-	15,594	4,279	13,391	473,922
Interfund payables	1,320,755	17,000	4,800		200,601	1,543,156
Deferred revenue	1,723,496	-	1,040,000		559,030	3,322,526
Deposits payable	21,878					21,878
Total Liabilities	4,539,590	24,100	1,227,301	513,467	1,017,935	7,322,393
FUND BALANCES:						
Fund balances (deficit):						
Reserved for restrictions	301,413	39,059	12,812		8,379	361,663
Reserved for long-term assets	59,749				394,420	454,169
Reserved for inventories	7,482					7,482
Reserved for prepaids	1,740,782	-	-		12,470	1,753,252
Reserved for encumbrances	35,634				65,656	101,290
Unreserved:						
Undesignated-General Fund	(1,912,378)					(1,912,378)
Undesignated-Special Revenue Funds		(60,790)	-		274,530	213,740
Undesignated-Capital Projects Fund				7,806,296	39,701	7,845,997
Total Fund Balances (Deficit)	232,682	(21,731)	12,812	7,806,296	795,156	8,825,215
Total Liabilities and Fund Balances	\$ 4,772,272	\$ 2,369	\$ 1,240,113	\$ 8,319,763	\$ 1,813,091	\$ 16,147,608

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Fund Balances - Total Governmental Funds \$ 8,825,215

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	48,031,300	
Less: Accumulated Depreciation	<u>(25,910,797)</u>	22,120,503

Other assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Accrued interest receivable	27,907
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Bond issue costs to be amortized over the life of the debt.

Deferred Charges - Bond Issue Costs, Net of Amortization	276,911
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Net OPEB asset is not included in the governmental funds	3,824
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Long-term liabilities, including a portion of compensated absences are not due and
payable in the current period and therefore are not reported in the
governmental funds.

Governmental Bonds and Notes Payable	(19,557,762)	
Compensated Absences	(967,147)	
Retainage on Construction Project	(239,012)	
Workers Compensation	(1,144,526)	
Accrued Interest	<u>(272,199)</u>	(22,180,646)

Deferred revenue reported on modified accrual basis of accounting in governmental
funds is susceptible to full accrual on the entity-wide statements.

Deferred Revenue	<u>2,783,829</u>
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Net Assets of Governmental Activities	<u><u>\$ 11,857,543</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Housing Assistance Fund	CDBG Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 10,125,116	\$ -	\$ -	\$ -	\$ 228,054	\$ 10,353,170
Licenses and permits	288,312					288,312
Intergovernmental	3,793,551	1,842,572	977,338		1,354,559	7,968,020
Charges for services	1,333,993				2,100	1,336,093
Fines and forfeitures	1,810					1,810
Interest	3,939		43,356	58,973	2,230	108,498
Miscellaneous	505,434	2,344	500		57,701	565,979
Total Revenues	<u>16,052,155</u>	<u>1,844,916</u>	<u>1,021,194</u>	<u>58,973</u>	<u>1,644,644</u>	<u>20,621,882</u>
Expenditures:						
Current:						
General government	1,621,847				275,706	1,897,553
Public safety	10,023,519				243,480	10,266,999
Public works	2,421,251				14,136	2,435,387
Recreation	859,541				12,500	872,041
Community development and housing	1,702,207	1,820,623	922,306		842,604	5,287,740
Capital Outlay				1,113,058	389,493	1,502,551
Debt service:						
Principal	1,054,179	4,800	63,823	-	59,042	1,181,844
Interest	510,093		62,827	416,960	21,728	1,011,808
Total Expenditures	<u>18,192,637</u>	<u>1,825,423</u>	<u>1,048,956</u>	<u>1,530,018</u>	<u>1,858,689</u>	<u>24,455,723</u>
Revenues in Excess of (Less Than) Expenditures	<u>(2,140,482)</u>	<u>19,493</u>	<u>(27,762)</u>	<u>(1,471,045)</u>	<u>(214,045)</u>	<u>(3,833,841)</u>
Other Financing Sources (Uses):						
Transfers-in	2,151,600	-	21,333	246,961	217,281	2,637,175
Transfers-out	(451,085)				(21,431)	(472,516)
Total Other Financing Sources	<u>1,700,515</u>	<u>-</u>	<u>21,333</u>	<u>246,961</u>	<u>195,850</u>	<u>2,164,659</u>
Net Change in Fund Balance	(439,967)	19,493	(6,429)	(1,224,084)	(18,195)	(1,669,182)
Fund balance, beginning	672,649	(41,224)	19,241	9,030,380	813,351	10,494,397
Fund balance (deficit), ending	<u>\$ 232,682</u>	<u>\$ (21,731)</u>	<u>\$ 12,812</u>	<u>\$ 7,806,296</u>	<u>\$ 795,156</u>	<u>\$ 8,825,215</u>

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,669,182)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.

Expenditures for Capital Assets	2,209,720	
Retainage on Construction Projects	(156,853)	
Capital Assets Contributed to Proprietary Funds	(18,000)	
Less: Current Year Depreciation	(1,533,541)	501,326

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current year.

Amortization of Bond Issue Costs	(11,852)	
Principal Payments/Assumptions of Debt	1,124,007	1,112,155

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Interest accrued on note receivable		27,907
Deferred Revenue		242,207

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	987,901	
Other post-employment benefit obligation	68,227	
Workers compensation	155,057	
Accrued interest adjustment	(7,700)	1,203,485

Change in Net Assets of Governmental Activities \$ 1,417,898

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 21,742	\$ 1,036	\$ 59,928	\$ 17,896	\$ 100,602
Investments	3,603	2,701	-	-	6,304
Accounts receivable	919,739	813,955	12,808	103,111	1,648,613
Due from other governments	15,041	4,588,822	-	-	4,603,863
Prepaid expenses	311,244	80,288	-	-	391,532
Inventory	272,548	104	-	-	272,652
Interfund receivables, current	473,855	290,000	-	296,400	1,060,255
Total Current Assets	2,017,772	5,576,886	72,736	417,407	8,084,801
Noncurrent Assets:					
Interfund receivables, non-current	146,987	365,954	-	-	502,921
Restricted investments	19,332	21,202	4,137	-	44,671
Land and land improvements	187,634	446,208	180,737	-	814,579
Buildings and improvements	47,177,018	38,410,692	5,955,756	5,244	91,548,710
Machinery and equipment	2,363,464	1,812,637	280,962	-	4,477,063
Accumulated depreciation	(16,119,151)	(17,556,244)	(1,856,016)	(176)	(35,531,587)
Construction in progress	537,310	28,530,489	-	-	29,067,799
Deferred charge	79,280	38,003	15,513	-	132,806
Evits Creek Water Company, capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	34,436,764	52,058,941	4,581,109	5,068	91,081,882
Total Assets	\$ 36,454,536	\$ 57,635,827	\$ 4,653,845	\$ 422,475	\$ 99,166,683
LIABILITIES					
Current Liabilities:					
Accounts payable	242,151	6,617,166	6,241	156,754	7,022,312
Accrued wages	74,405	74,189	8,175	-	156,769
Accrued interest	91,844	51,984	31,298	-	175,126
Interfund payables, current	-	-	45,000	-	45,000
Current portion of compensated absences	115,328	117,059	12,167	-	244,554
Current portion of workers' comp. claims payable	49,130	35,331	-	-	84,461
Current portion of bonds and notes payable	3,282,829	574,124	323,382	-	4,180,335
Total Current Liabilities	3,855,687	7,469,653	426,263	156,754	11,908,357
Noncurrent Liabilities:					
Compensated absences (net of current portion)	12,494	86,158	-	-	98,652
Workers' comp. claims payable (net of current portion)	158,950	114,262	-	-	273,212
Retainage payables	-	1,654,277	-	-	1,654,277
Interfund payables, non-current	-	-	285,604	191,365	476,969
Bonds and notes payable (net of current portion)	14,243,834	9,827,309	2,145,103	-	26,216,246
Total Non-Current Liabilities	14,415,278	11,682,006	2,430,707	191,365	28,719,356
Total Liabilities	18,270,965	19,151,659	2,856,970	348,119	40,627,913
NET ASSETS					
Invested in capital assets, net of related debt	17,113,843	38,355,579	2,123,222	5,068	57,597,712
Restricted	-	-	-	-	-
Unrestricted	1,069,728	128,369	(326,347)	69,288	941,038
Total Net Assets	18,183,571	38,483,948	1,796,875	74,356	58,538,770
Total Liabilities and Net Assets	\$ 36,454,536	\$ 57,635,827	\$ 4,653,845	\$ 422,475	\$ 99,166,683

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Operating Revenues:					
Charges for Services:					
Domestic	\$ 2,890,062	\$ 3,043,565	\$ -	\$ 1,287,080	\$ 7,020,707
Industrial	2,320,721	365,448	-	2,890	2,678,059
Sanitary commissions	-	1,751,474	-	-	1,751,474
Water companies	2,740,312	-	-	-	2,740,312
Rents/Concessions	-	-	608,488	87,998	696,486
Connection Charges	172,161	6,540	-	-	178,701
Other	56,812	169,558	52,140	15,857	294,365
Total Operating Revenues	<u>7,980,068</u>	<u>5,328,583</u>	<u>660,608</u>	<u>1,353,825</u>	<u>15,381,084</u>
Operating Expenses:					
Personal services	2,204,118	2,011,185	192,233	8,612	4,416,128
Utilities	209,193	418,514	34,578	222,257	884,542
Supplies	414,260	165,493	-	5,324	585,077
Repairs and maintenance	563,152	254,457	12,641	29,148	859,398
Landfill fees	-	10,422	-	325,773	336,195
Depreciation	1,147,009	1,038,801	141,480	176	2,327,466
Contractual services	119,031	481,408	13,447	647,763	1,261,649
Other operating expenses	1,061,899	968,457	13,871	118,200	1,860,027
Total Operating Expenses	<u>5,718,462</u>	<u>5,045,717</u>	<u>408,050</u>	<u>1,355,253</u>	<u>12,530,482</u>
Operating Income (Loss)	<u>2,261,606</u>	<u>277,868</u>	<u>252,558</u>	<u>38,572</u>	<u>2,830,602</u>
Non-Operating Revenues (Expenses):					
Interest income	545	3,005	52	-	3,602
Interest expense	(437,568)	(193,920)	(114,158)	(432)	(748,078)
Amortization expense	(11,771)	(2,919)	(2,431)	-	(17,121)
Gain (Loss) on disposal of capital assets	(152,404)	-	-	152,383	(21)
Total Non-Operating Income (Loss)	<u>(901,198)</u>	<u>(193,834)</u>	<u>(116,537)</u>	<u>151,951</u>	<u>(761,618)</u>
Net Income Before Contributions and Transfers	<u>1,360,408</u>	<u>82,032</u>	<u>136,021</u>	<u>190,523</u>	<u>2,068,984</u>
Capital contributions	76,781	16,364,642	-	-	16,441,423
Capital contributions from governmental activities	18,000	-	-	-	18,000
Assumption of debt by governmental activities	-	3,051	27,107	44,979	74,837
Assumption of governmental activities debt	(17,000)	-	-	-	(17,000)
Assumption of other proprietary activities debt	(10,309)	10,309	-	-	-
Transfers-in/out	(801,707)	(582,245)	(27,107)	(743,600)	(2,164,659)
Net Income (Loss)	<u>928,173</u>	<u>15,887,789</u>	<u>136,021</u>	<u>(508,396)</u>	<u>18,421,585</u>
Net assets-beginning of year	<u>17,257,388</u>	<u>22,616,179</u>	<u>1,660,854</u>	<u>582,754</u>	<u>42,117,185</u>
Net assets-end of year	<u>\$ 18,185,571</u>	<u>\$ 38,483,968</u>	<u>\$ 1,796,875</u>	<u>\$ 74,356</u>	<u>\$ 58,538,770</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 8,456,407	\$ 5,724,437	\$ 598,371	\$ 1,373,337	\$ 16,150,552
Cash payments to suppliers	(2,531,895)	(597,330)	(75,652)	(1,324,149)	(4,528,926)
Cash payments for personal services	(2,303,355)	(2,169,477)	(214,961)	(8,612)	(4,696,025)
Other operating receipts	56,812	169,556	52,140	15,857	294,365
Net Cash Provided (Used) Operating Activities	3,677,969	3,127,186	355,378	56,433	7,219,966
Cash Flows from Noncapital Financing Activities:					
Transfers (to) other funds	(901,707)	(592,245)	(27,107)	(743,600)	(2,184,659)
Loans from (to) other funds	(485,806)	(140,000)	97,700	(278,400)	(804,506)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,287,513)	(732,245)	70,593	(1,020,000)	(2,969,165)
Cash Flows from Capital and Related Financing Activities:					
Capital grant proceeds	208,764	11,848,309	-	7,085	12,064,158
Acquisition and construction of capital assets	(2,368,793)	(17,880,170)	(2)	(5,489)	(20,254,434)
Proceeds from sale of capital assets	-	-	-	959,625	959,625
Proceeds from capital debrreallocation of capital debt	2,068,475	4,366,098	-	-	6,434,544
Principal paid on capital debt	(1,903,810)	(806,376)	(308,179)	(3,856)	(2,822,223)
Interest paid on capital debt	(423,918)	(194,330)	(117,671)	(1,282)	(737,201)
Deferred financing charge	(158)	(176)	(9)	224	(119)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,419,440)	(2,466,574)	(425,861)	956,325	(4,355,650)
Cash Flows from Investing Activities:					
Interest on investments	545	3,005	52	-	3,602
Net sale (purchase) of investments	49,545	63,183	27,423	-	140,151
Net Cash Provided (Used) by Investing Activities:	50,090	66,188	27,475	-	143,753
Net Increase (Decrease) In Cash and Cash Equivalents	21,106	(5,645)	30,585	(7,242)	38,904
Cash and Cash Equivalents at Beginning of Year	4,239	9,282	29,343	25,138	68,002
Cash and Cash Equivalents at End of Year	\$ 25,345	\$ 3,737	\$ 59,928	\$ 17,896	\$ 106,906

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Assets					
Cash balance-Statement of Net Assets	\$ 21,742	\$ 1,036	\$ 59,928	\$ 17,896	\$ 100,602
Investment balance-Statement of Net Assets	3,603	2,701	-	-	6,304
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 25,345</u>	<u>\$ 3,737</u>	<u>\$ 59,928</u>	<u>\$ 17,896</u>	<u>\$ 106,906</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 2,281,606	\$ 277,866	\$ 252,558	\$ 38,572	\$ 2,850,602
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,147,009	1,038,801	141,480	176	2,327,466
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	533,151	567,410	(12,097)	2,454	1,090,918
(Increase) decrease in prepaid expenses	68,108	(46,458)	-	-	21,650
(Increase) decrease in inventory	(48,341)	1,383	-	-	(46,958)
Increase (decrease) in accounts payable	(54,909)	(200,956)	(1,215)	22,316	(234,764)
(Decrease) in deferred revenues	-	-	-	(7,066)	(7,066)
Increase (decrease) in retainage payable	(129,418)	1,847,452	-	-	1,518,034
Increase (decrease) in other post-employment benefit (OPEB) obligation	(11,633)	(8,935)	(1,012)	-	(21,580)
Increase (decrease) in workers' comp. claims payable	123,257	10,878	-	-	134,133
Increase (decrease) in accrued wages and compensated absences	(210,861)	(160,253)	(21,338)	-	(392,450)
Net cash provided (used) by operating activities	<u>\$ 3,677,989</u>	<u>\$ 3,127,186</u>	<u>\$ 388,378</u>	<u>\$ 58,433</u>	<u>\$ 7,219,986</u>
Noncash operating, financing, and investing activities:					
Contribution of capital assets from government	\$ 18,000	\$ -	\$ -	\$ -	\$ 18,000
Loss on disposition of capital assets	152,404	-	-	-	152,404
Assumption of debt by governmental activities	-	3,051	27,107	44,879	74,837
Assumption of governmental activities debt	17,000	-	-	-	17,000
Assumption of other proprietary activities debt	(10,309)	10,309	-	-	-
Amortization of bond issuance costs	11,771	2,919	2,431	-	17,121

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a City-Administrator form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined it does not have any component units required to be included in its financial statements.

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, municipal parking authority and property rental operations are classified as business-type activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Government-wide financial statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, urban development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column entitled "Indirect Expense Allocation". In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity,

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or that have been segregated by management to account for resources.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Major Funds – Government-wide Fund Financial Statements

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. Approximately 500 individuals are assisted annually.

The Community Development Block Grant (CDBG) Fund is a special revenue fund for segregating and tracking expenditures related to CDBG funds received from the Department of Housing and Urban Development and utilized to support Community Development activities throughout the City.

The Street Improvement Fund (SIF) is a capital projects fund that the Mayor and City Council directed to have created for tracking the tax revenue proceeds collected from the tax increase that was authorized in FY 2009 and beyond, to support the debt payments, as well as to track the utilization of the bond proceeds for the SIF of \$9,070,000 received in FY 2009.

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Municipal Parking Authority accounts for the acquisition and maintenance of the municipal parking facilities within the boundaries of the City of Cumberland, which are available for use by the public.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Revenue sources subject to accrual include property taxes and other revenues such as income taxes, federal grants, and state grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

E. Financial Statement Amounts

Cash

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Investments

Investments for all funds are reported at fair value, which is determined using selected bases. Short-term investments such as overnight repurchase agreements, repurchase agreements, and U.S. Treasury obligations are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments with the MD Local Government Investment Pool are reported at current value.

Inventory

Inventory is valued at cost, using the first-in, first-out (FIFO) cost method. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available resources.

Receivables

The accounts receivable in the Water Fund, Sewer Fund and Trash Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water, sewer and trash services are not resumed for the property until the receivables are collected. Similarly no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables” and “interfund payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Any long-term portion of interfund receivables, as reported in the fund financial statements, is offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Deferred Revenues – Fund Financial Statements

Property tax revenue is required to be recognized in the fiscal year for which taxes have been levied, provided they are available to finance the budget for a particular period. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Generally accepted accounting principles provide that such time thereafter shall not exceed sixty days. To the extent property tax levies have not been collected within sixty days past year-end, the City has deferred the revenue.

In accordance with Governmental Accounting Standards Board Statement 33, non-exchange revenue (for example, most taxes, grants, and private donations) not received within sixty days after the fiscal year end is deferred and recognized as revenue in future periods when it becomes available.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, accrued compensated absences, workers' compensation payable, retainage payable and capital leases payable.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation in the government-wide financial statements. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Bond Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issues.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other costs.

At the government-wide level these costs in the governmental funds are adjusted and reported in the same way as in proprietary funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds were affected:

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	\$ 466,825	\$ 437,568	\$ 29,257	\$ 23	\$ 29,234
Sewer Fund	207,778	195,920	11,858	40	11,818
MPA Fund	114,158	114,158	-	-	-
Non-Major Proprietary Funds	432	432	-	-	-

Interest costs are expensed when incurred by governmental fund types where proceeds are used to finance the construction of capital assets.

Operating and Non-Operating Revenues

The statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as water, sewer, and trash fees, result from exchange transactions associated with the principal activities of the City. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the City's principal activities (such as investment income) and from all non-exchange transactions (such as grants).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. Supplemental appropriations in the amount of \$1,078,327 were approved for fiscal year 2010 during fiscal year 2010 and fiscal year 2011.

Annual budgets for other governmental fund types are not adopted and therefore are not presented.

The City has elected to employ the use of encumbrance accounting for financial and budgetary reporting purposes for the governmental funds in order to carry forward the requisite governmental funds for purchase orders that are outstanding at year end and where these commitments are intended to be fulfilled. These governmental funds are reserved and are not available for new spending. Appropriations for proprietary fund generally lapse at year end and are treated as expenditures in the year the liability is incurred.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies – (Continued)

6. The Mayor and City Council can approve budget amendments between departments during the year.

Net Assets/Fund Balance Deficit

The following funds had deficit fund balances at June 30, 2010:

Housing Assistance Fund	(21,731)
Program Open Space	(10,373)
Tax Increment Financing District	(27,319)
Economic Development	(770)
Miscellaneous Special Revenue/Capital Projects Funds	
Capital Projects	(43,021)
Special Recreation	(24,084)
Shade Tree Commission	(7,198)

All of the aforementioned funds will have their deficit fund balances restored with the recognition of deferred revenue at June 30, 2010 as revenue in fiscal year 2011 or with the receipt of grant reimbursements and fund transfers in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2010, the carrying amount of the City's deposits was \$4,825,110 and the bank balance was \$7,316,581 (including an investment in an overnight repurchase agreement in the amount of \$2,515,596).

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits with financial institutions to be fully secured by collateral. The City's cash balances at financial institutions at June 30, 2010 are fully collateralized with securities held by the City's agent in the City's name.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2. Cash and Investments – (Continued)

Investments

As of June 30, 2010, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 Days</u>	<u>90 days to one year</u>	
Municipal Money Market Savings	\$ -	\$ -	\$ -	N/A
Maryland Local Government Investment Pool	4,019,397	4,019,397	-	AAA
U.S. Treasury Money Market	-	-	-	N/A
	\$4,019,397	\$ 4,019,397	\$ -	

Investment Risks and Policies

Credit Risk: Article 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Maryland Local Government Investment Pool. The City's investment policy limits its investments to those authorized by State statute. The City is in compliance with State statutes and its investment policy.

The City invests in the Maryland Local Government Investment Pool which is administered by the PNC Bank. These approved investments are carried at cost, which approximates market and may be liquidated as needed. Due to the short-term nature of the Maryland Local Government Investment Pools' assets and liabilities, the carrying value as recorded in the statements of assets and liabilities approximates fair value. The Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission. The Board for the Maryland State Treasurer's Office oversees its operations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2. Cash and Investments – (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy specifies the following diversification by instrument:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	90%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Additionally, no more than 70% of the City's total cash and investment balances may be placed at any one financial institution.

The City's investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are collateralized with securities held by the City's agent in the City's name. The City's investment policy and state law requires collateralization of 102% of market value of investments. The City's is in compliance with its investment policy and State law having all deposits and investments collateralized at 102% of market value with bonds or other obligations secured by the full faith and credit of the United States.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2. Cash and Investments – (Continued)

Restricted cash is reported in the General Fund in the amount of \$46,833. This cash is obtained through police seizures and restricted for public safety activities. Restricted cash is also reported in the CDBG Fund in the amount of \$1,129. This cash is restricted for the purpose of the Section 108 HUD Loan.

Restricted investments are reported in the General, CDBG Fund, Water, Sewer, MPA, and Non-Major Governmental Funds in the amount of \$192,894. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

On the Government-wide financial statements, cash and investments of the Street Improvement Fund are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2010 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ -	\$ 1,320,755
Housing Assistance Fund	-	17,000
CDBG Fund	-	4,800
Street Improvement Fund	225,000	-
Non-Major Government Funds	217,300	115,000
Sub-total	442,300	1,457,555
Proprietary Funds:		
Water Fund	473,855	-
Sewer Fund	290,000	-
MPA Fund	-	45,000
Non-Major Proprietary Funds	296,400	-
Sub-total	1,060,255	45,000
Total Interfund Receivable/Payable-Current	\$ 1,502,555	\$ 1,502,555

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

**Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)**

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2010 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 59,749	\$ -
Housing Assistance Fund	-	-
CDBG Fund	-	-
Street Improvement Fund	-	-
Non-Major Governmental Funds	-	85,601
Sub-total	59,749	85,601
Proprietary Funds:		
Water Fund	146,867	-
Sewer Fund	355,954	-
MPA Fund	-	285,604
Non-Major Proprietary Funds	-	191,365
Sub-total	502,821	476,969
Total Interfund Receivable/Payable Non-Current	\$ 562,570	\$ 562,570

All non-current interfund receivables are expected to be repaid within a reasonable amount of time, but not necessarily within the next fiscal year. Material interfund loans include amounts owed by the Trash Fund to the Sewer Fund, as well as amounts owed by the MPA Fund to the General, Water and Sewer Funds. These interfund loans are the culmination of years of cash deficiencies and repayment is expected in future years as excess revenue is generated.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 2,151,600	\$ 451,085
Housing Assistance Fund	-	-
CDBG Fund	21,333	-
Street Improvement Fund	246,961	-
Non-Major Governmental Funds	217,281	21,431
Sub-total	2,637,175	472,516
Proprietary Funds:		
Water Fund	27,309	829,016
Sewer Fund	-	592,245
MPA Fund	-	27,107
Non-Major Proprietary Funds	-	743,600
Sub-total	27,309	2,191,968
Total Transfers (Fund Financial Statements)	2,664,484	2,664,484
Debt Transfers (Government-Wide Financials)		
General Fund	74,837	
Economic Development Fund		17,000
Water Fund	17,000	
Sewer Fund		3,051
MPA Fund		27,107
Property Rental Fund		44,679
Sub-total	91,837	91,837

Transfers to support the operations of other funds are classified as “Other Financing Sources (Uses)” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide financial statements. The combination of the transfer-out’s in the Water and Sewer Funds represents management’s transfer of 80% of the combined “net income before capital contributions” of those two funds to the General Fund for use in the operation of the general government.

In addition, the Economic Development Fund transferred a copier lease in the amount of \$17,000 to the Water Fund. The Property Rental Fund transferred \$44,679 in long-term debt associated with the disposition of a rental property to the General Fund. The Sewer and MPA Funds transferred \$3,051 and \$27,107 in debt to the General Fund to reallocate bond proceeds between funds for associated project costs. Because the governmental funds do not report long-term liabilities, these transfers are reported as assumptions of debt in the proprietary fund statement of revenues, expenses and changes in net assets and reclassified as transfers in the government-wide statement of activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5. Note Receivable

The City entered into a loan agreement for \$1.4 million with the Department of Housing and Urban Development in fiscal year 2008. The City disbursed \$1,400,000 of these funds to Allegany County Human Resources Development Commission (HRDC) in fiscal year 2009. The repayment terms specify HRDC reimburse the City the amount of \$1,040,000 with annual principal payments ranging from \$10,000 to \$95,000 and semi-annual interest payments ranging from \$2,033 to \$31,007 from January 17, 2009 until July 17, 2028. A note receivable in the CDBG Fund recognizes this obligation. In fiscal year 2010, the City recognized \$43,249 in interest income in the CDBG Fund for the interest earned on the \$1,040,000 note receivable from HRDC. The City in turn paid the Department of Housing and Urban Development \$62,801 in interest expense on the \$1,400,000 note payable. Interest income and expense in the amount of \$27,907 was also accrued on the government-wide financial statements on these obligations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6. Capital Assets

City of Cumberland capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 974,496	\$ 200	\$ (100)	\$ 974,596
Construction in progress	3,731,488	1,925,899	(782,678)	4,874,709
Total non-depreciable assets	4,705,984	1,926,099	(782,778)	5,849,305
Depreciable assets:				
Buildings and improvements	13,700,162	570,057	(3,918)	14,266,301
Machinery and equipment	7,277,903	100,604	(417,966)	6,960,541
Infrastructure	20,526,362	446,044	(17,253)	20,955,153
Total depreciable assets	41,504,427	1,116,705	(439,137)	42,181,995
Accumulated depreciation:				
Buildings and improvements	6,997,959	446,503	(3,918)	7,440,544
Machinery and equipment	5,086,625	593,382	(412,649)	5,267,358
Infrastructure	12,663,503	556,645	(17,253)	13,202,895
Total accumulated depreciation	24,748,087	1,596,530	(433,820)	25,910,797
Depreciable assets, net	16,756,340	(479,825)	(5,317)	16,271,198
Governmental activities capital assets, net	\$ 21,462,324	\$ 1,446,274	\$ (788,095)	\$ 22,120,503
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	10,338,978	25,467,916	(6,739,095)	29,067,799
Total non-depreciable assets	11,153,557	25,467,916	(6,739,095)	29,882,378
Depreciable assets:				
Buildings and improvements	86,543,240	6,840,282	(1,834,812)	91,548,710
Machinery and equipment	4,526,171	34,632	(83,720)	4,477,083
Total depreciable assets	91,069,411	6,874,914	(1,918,532)	96,025,793
Accumulated depreciation:				
Buildings and improvements	31,213,786	1,941,971	(875,483)	32,280,274
Machinery and equipment	2,967,448	385,495	(101,630)	3,251,313
Total accumulated depreciation	34,181,234	2,327,466	(977,113)	35,531,587
Depreciable assets, net	56,888,177	4,547,448	(941,419)	60,494,206
Business-type capital assets, net	\$ 68,041,734	\$ 30,015,364	\$ (7,680,514)	\$ 90,376,584

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 192,308	Water	\$ 1,147,009
Public Safety	355,431	Sewer	1,038,801
Public Works	742,614	Municipal Parking	141,480
Recreation	162,403	Property Rental	176
Urban Development & Housing	80,785		<u>\$ 2,327,466</u>
	<u>\$ 1,533,541</u>		

Assets costing \$74,989 with accumulated depreciation of \$74,989 were transferred from the proprietary funds to the governmental funds. Additionally, assets costing \$30,000 with accumulated depreciation of \$12,000 were transferred from the governmental funds to the proprietary funds. The net effect of the transfer of fixed assets results in a difference of \$62,989 between the additions reported in the accumulated depreciation section of the governmental activities and the governmental activities depreciation expense.

Note 7: Short Term Liabilities

On July 1, 2009, the City issued a 90-day tax anticipation note (TAN) in the amount of \$1.5 million to manage temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. On December 29, 2009, the City issued a 180-day tax anticipation note in the amount of \$1.5 million. The proceeds were available as a line of credit and were drawn upon as needed, to pay authorized expenditures of the fiscal year. The tax anticipation notes were repaid on the respective due dates of September 30, 2009 and June 30, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
TAN	\$ -	\$ 3,000,000	\$ (3,000,000)	\$ -

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8: Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General Obligation Bonds	17,257,140	-	(551,296)	16,705,844	\$ 652,609
Notes and capital leases	3,424,629	-	(572,711)	2,851,918	426,431
Less: deferred amounts on refunds	-	-	-	-	-
Total bonds, notes and leases payable	20,681,769	-	(1,124,007)	19,557,762	1,079,040
Compensated absences	1,955,048	1,514,802	(2,502,703)	967,147	804,916
Retainage payable	82,159	156,853	-	239,012	-
Other post-employment benefit (OPEB) obligation	64,403	-	(64,403)	-	-
Workers comp payable	1,299,583	443,151	(598,208)	1,144,526	270,270
Governmental activities long-term Liabilities	\$24,082,962	\$2,114,806	\$(4,289,321)	\$21,908,447	\$2,154,226
Business-type Activities:					
Bonds and notes payable:					
General Obligation Bonds	24,029,223	6,434,544	(2,565,988)	27,897,779	\$3,872,598
Notes and capital leases payable	2,984,845	-	(340,523)	2,644,322	307,737
Less: deferred amounts on refunds	(171,971)	-	26,451	(145,520)	-
Total bonds and notes payable	26,842,097	6,434,544	(2,880,060)	30,396,581	4,180,335
Compensated absences	748,087	455,745	(860,626)	343,206	244,554
Retainage payable	136,243	1,654,277	(136,243)	1,654,277	-
Other post-employment benefit (OPEB) obligation	21,580	-	(21,580)	-	-
Workers comp payable	223,540	138,488	(4,355)	357,673	84,461
Business-type activities long-term liabilities	\$27,971,547	\$ 8,683,054	\$(3,902,864)	\$32,751,737	\$4,509,350

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8: Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2010 is comprised of the following General Obligation Bonds:

<i>\$755,795, 1991 Sewer Fund bonds due in annual installments of \$42,465 to \$60,557 through February, 2011; interest at 3.594%</i>	\$ 38,979
<i>\$376,255, 1991 Sewer Fund bonds due in annual installments of \$25,747 to \$27,458 through February, 2012; interest at 3.375%</i>	49,815
<i>\$400,000 1999 Water Fund bond due in annual installments of \$20,173 through February, 2029; interest at 2.39%</i>	290,936
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	3,038,659
<i>\$2,231,000, 1999 Public Improvement bond due in semi-annual installments of \$108,592 through September, 2014; interest at 5.28%</i>	859,878
<i>\$6,000,000, 2001 Water Fund bond due in semi-annual installments of \$5,124 and \$99,934 through February, 2032; interest at 1.50%, \$1,200,000 to be forgiven March, 2011</i>	4,921,708
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	753,847
<i>\$586,200, 2004 Community Development Administration Infrastructure Financing bond due in annual installments of \$83,286 to \$85,059 through May, 2012; interest at 2.96%</i>	158,198
<i>\$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of \$12,887 through February, 2024; interest at 0.4%</i>	171,590
<i>\$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of \$72,776 through February, 2034; interest at 0.4%, \$497,000 to be forgiven November, 2014.</i>	2,159,243
<i>\$480,000, 2005 Tax Incremental Financing bond due in semi-annual installments of \$16,400 to \$28,600 through May, 2020; interest at 5.0%</i>	320,000
<i>\$7,900,442, 2005 General Obligation bond due in semi-annual installments of \$7,837 to \$873,773 through May, 2021; interest at 3.97%</i>	4,631,363
<i>\$4,500,000, 2006 Public Improvement Bond due in semi-annual installments of \$145,000 to \$330,000 through September, 2026 at 4.36%</i>	4,049,999

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8: Long Term Liabilities – (Continued)

<i>\$6,219,000, 2007 Public Improvement Bond due in semi-annual installments of \$416,000 to \$687,000 through April, 2012 at 3.63%</i>	2,697,000
<i>\$341,035, 2008 Water Quality State Revolving Fund Loan due in semi-annual installments of \$19,930 to \$21,248 through February, 2028 at 1.10%</i>	323,846
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$310,542 to \$570,444 through June, 2036; interest at 5.400% to 6.625%</i>	4,665,000
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$375,000 to \$750,000 through September, 2028; interest at 4.0% to 5.0%</i>	9,070,000
<i>\$2,068,475, 2009 Maryland Water Quality Financing Administration bond due in annual installments of \$78,949 to \$110,474 through February, 2029; interest at 0.00%</i>	2,068,475
<i>\$6,000,000, 2009 ARRA Maryland Water Quality Financing Administration Bond; \$6,000,000 to be forgiven October, 2019.</i>	4,234,207
<i>\$3,657,700, 2009 Water Quality Bond due in annual installments of \$192,458 through February, 2030 at 0.00%</i>	<u>100,880</u>
	<u>\$44,603,623</u>

In October 2009, the City authorized \$9,657,700 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration, of which \$6,000,000 is eligible to be forgiven in October 2019 if certain conditions are met. The amount advanced under these bonds was \$4,335,087 at June 30, 2010.

Notes and capital leases payable

<i>\$336,600 (Face amount and cost of asset), copier equipment capital lease due in monthly installments of \$6,120 through April 2011; interest at 0%</i>	138,720
<i>\$651,501 (Face amount and cost of asset), 2005 equipment lease due in quarterly installments of \$35,414 through July 2010; interest at 3.59%.</i>	35,099
<i>\$323,969 (Face amount and cost of asset), VAC and Dump Trucks lease due in quarterly installments of \$17,768 through December 2010; interest at 3.98%</i>	35,012
<i>\$130,194 (Face amount and cost of asset), trucks and SUV lease due in quarterly installments of \$7,194 through February 2011; interest at 4.30%</i>	21,124
<i>\$456,000 (Face amount and cost of asset), 2007 Equipment lease due in quarterly installments of \$25,244 through January 2012; interest at 3.96%</i>	169,912

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8: Long Term Liabilities – (Continued)

<i>\$3,749,401 (Face amount and cost of asset/expense), 2007 lease due in semi-annual installments of \$170,856 through May 2022; interest at 4.097%</i>	3,213,867
<i>\$804,500 (Face amount and cost of asset), equipment lease due in semi-annual installments of \$44,826 through April 2012; interest at 3.719%</i>	506,769
<i>\$1,400,000 (Face amount and cost of expense), Section 108 loan due in semi-annual installments of \$40,446 to \$116,538 through August 2028; interest at 2.62%-5.42%</i>	1,340,000
<i>\$84,872 (Face amount and cost of asset), IBM lease due in monthly installments of \$2,468 through September 2011; interest at 2.99%</i>	<u>35,737</u>
	<u>\$5,496,240</u>

Debt Maturity

Debt service requirements at June 30, 2010 were as follows:

Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	652,609	814,770	426,431	111,687	1,079,040	926,457
2012	673,471	787,583	357,446	99,375	1,030,917	886,958
2013	752,996	754,546	264,672	88,721	1,017,668	843,267
2014	778,718	721,798	149,704	80,060	928,422	801,858
2015	717,141	687,921	157,382	73,819	874,523	761,740
2016-2020	3,250,226	3,024,107	691,124	277,792	3,941,350	3,301,899
2021-2025	3,784,501	2,239,766	500,161	133,934	4,284,662	2,373,700
2026-2030	4,003,366	1,196,480	304,998	33,523	4,308,364	1,230,003
2031-2035	1,675,925	482,593	-	-	1,675,925	482,593
2036-2040	416,891	27,628	-	-	416,891	27,628
	<u>\$16,705,844</u>	<u>\$10,737,192</u>	<u>\$ 2,851,918</u>	<u>\$ 898,911</u>	<u>\$19,557,762</u>	<u>\$11,636,103</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8: Long Term Liabilities – (Continued)

Year	Bonds		Proprietary Funds Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	3,872,598	584,111	307,738	102,644	4,180,336	686,755
2012	2,715,939	495,996	253,710	91,873	2,969,649	587,869
2013	1,059,154	417,045	220,660	82,693	1,279,814	499,738
2014	1,081,060	389,827	174,940	74,510	1,256,000	464,337
2015	1,588,882	361,805	182,181	67,269	1,771,063	429,074
2016-2020	10,043,180	1,381,087	1,030,447	216,799	11,073,627	1,597,886
2021-2025	3,719,354	703,612	474,646	24,539	4,194,000	728,151
2026-2030	2,546,289	360,970	-	-	2,546,289	360,970
2031-2035	1,153,210	148,218	-	-	1,153,210	148,218
2036-2040	118,113	7,815	-	-	118,113	7,815
	<u>\$ 27,897,779</u>	<u>\$4,850,486</u>	<u>\$2,644,322</u>	<u>\$ 660,327</u>	<u>\$30,542,101</u>	<u>\$5,510,813</u>

Note 9. Deferred Revenue

The governmental fund balance sheet reports \$1,723,496, \$1,040,000, and \$559,030 of deferred revenues in the General, CDBG, and Non-Major Governmental Funds, respectively. Included in those deferred revenues are \$286,255 revenues deferred solely because they are not yet considered available as defined by GASB 33 and as discussed in Note 1(E). The remainder of the deferred revenue represents deferred property tax revenues in the amount of \$1,457,574 and deferred rehabilitation loans in the amount of \$492,057. Additionally, CDBG has a deferred note receivable for a Section 108 loan in the amount of \$1,040,000. The General Fund also received \$46,640 in deferred tax revenue related to the 2010-2011 tax levy.

Note 10. Compensated Absences

Statement 16 of the Governmental Accounting Standards Board (GASB) - Accounting for Compensated Absences requires employers to accrue a liability for certain future vacation, sick, and other leave benefits provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the City or the employee.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10. Compensated Absences – (Continued)

- d. The amount can be reasonably estimated.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

Prior to fiscal year 2010, City employees earn fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2010, only Local Union 553 (general trades, labor, technical, clerical staff) members are entitled to the payout of 86 days of sick leave days accumulated upon retirement (until June 30, 2011 when the union contract expires). If the employee is not eligible to retire by June 30, 2011, this benefit is not available to that employee.

All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$967,147. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$343,206 have been recorded in both the fund financial statements and the government-wide financial statements.

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

Note 11. Classification of Net Assets – Government-wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested In Capital Assets Net Of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

*Note 11. Classification of Net Assets – Government-wide Financial Statements –
(Continued)*

Restricted Net Assets – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted net assets first, as appropriate opportunities arise.

Unrestricted Net Assets – this category represents the net assets of the City, which are not restricted for any project or other purpose.

Note 12. Fund Balance Reserves and Designation – Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are reestablished by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2010, reservations of fund balance are described below:

The "Reserved for restrictions" classification in the fund equity section of the governmental fund balance sheet reflects assets that have been legally restricted for specified purposes and are not available for other uses.

The "Reserved for long term assets" classification in the fund equity section of the governmental fund balance sheet is comprised of the following as it represents assets that are not "available spendable resources":

	General Fund	Housing Assistance Fund	CDGB Fund	Street Improvement Fund	Non-major Funds
Housing loans receivable	\$ -	\$ -	\$ -	\$ -	\$ 321,627
Loans receivable, net of deferred portion	-	-	-	-	72,316
Notes receivable	-	-	-	-	477
Interfund Receivables, non-current	59,749	-	-	-	-
Total	\$59,749	\$ -	\$ -	\$ -	\$394,420

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

*Note 12. Fund Balance Reserves and Designation – Fund Financial Statements –
(Continued)*

Designations of equity, if any, are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted.

Note 13. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. A lien for property taxes attaches to the property at the time of billing, but the enforcement of the lien does not occur until the property taxes have been unpaid for period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2010 at a rate of \$0.9654 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$784 million.

The City levied taxes at a rate of \$2.648 per \$100 of assessed valuation on personal property which is assessed at depreciated value.

In fiscal year 2009, the City increased tax rates by \$0.0175 for real property and \$0.06 for personal property in order to partially fund the principal and interest payments on the 2008 general obligation street improvement bonds.

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13. Property Taxes – (Continued)

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2010 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$26 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2010 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$30 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the “Shades Lane Development District” to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$2.17 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$1,561,332.

Note 14. Pending Claims and Litigation

There are several pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2010.

Note 15. Contingent Liabilities

The City participates in a number of federal and state assisted grant programs, principal of which are the Community Development Block Grant and Section Eight housing programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City’s compliance with applicable grant requirements may not be established until some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 16. Construction Commitments

The City has active construction projects as of June 30, 2010. The projects include widening and construction of existing streets, and the construction of additional wastewater treatment facilities. At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
Virginia Avenue Corridor Improvements	\$ 1,189,497	\$ 353,895	\$ 1,138,439	General/CDBG/ GOB 08
Evitts Creek Force Main Gravity Sewer Phase 1A	2,101,813	-	2,101,813	Sewer
Washington Street Improvements	1,148,256	-	669,195	General/GOB 08
Henderson Avenue Improvements	1,224,851	-	1,224,851	GOB 08/Water
ENR WWTP (construction)	22,470,000	10,585,535	11,357,109	Sewer
Rolling Mills Access Roads Phase 2 & 3 (MD Ave Jefferson to Short St Reconstruction)	1,950,388	1,324,368	398,849	General/CDBG/ PIB 06/GOB 08
Total	<u>\$ 30,084,805</u>	<u>\$ 12,263,798</u>	<u>\$ 16,890,256</u>	

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 17. Other Commitments

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '06. The LTCP includes an estimate of future project costs. The estimated cost is \$56,490,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. In FY'07, it was decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The forces main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project was awarded in FY'10 and is expected to be begin in FY'11. The City has committed to provide Enhanced Nutrient Removal (ENR) at the City's Wastewater Treatment Plant. Engineering was completed in FY'09 and construction began in FY'10, and is expected to be complete in FY'11. The estimated cost of this major project is \$38,000,000. 73% of the project cost will be funded through State of Maryland's ENR Program; the local share of 27% will be funded through State Revolving Loan Funds (SRF). In July 2009 (FY'10), the City was awarded federal stimulus money of \$6 million from the American Recovery and Reinvestment Act (ARRA) which will be administered by MDE. This stimulus money will be used to fund the 27% of the local share of the ENR project and will be a forgivable loan.

Note 18. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. The City did not have losses in excess of its insurance coverage for the current and three prior fiscal years.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 18. Risk Management – (Continued)

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is \$350,000 with a deductible aggregate ranging from \$1,750,000 to \$1,998,000 depending on the policy year. As of June 30, 2010, the unspent, prefunded amount paid to the insurance carrier has been included in the financial statements as a prepaid expense.

- The City estimated the claims liability reported in the various funds at June 30, 2010. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The workers' compensation claims liability is presented at its net present value of \$1,502,199 (a non-discounted amount of \$1,713,353) and is discounted at a 4.0% annual rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2007 to June 30, 2010:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2007	\$ -0-	\$ 877,660	\$ 144,888	\$ 732,772
2008	732,772	1,802,156	516,975	2,017,953
2009	2,017,953	9,101	503,931	1,523,123
2010	1,523,123	584,243	605,167	1,502,199

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 19. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement Systems (MSRS) which administer the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979) and the Employees' Pension System (established January 1, 1980), under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland.

The City's employees, other than uniformed police officers, are members of the Employees Pension System. The City elected to join the Alternate Contributory Pension Selection (ACPS) which was established as of July 1, 2006. Beginning in fiscal year 2002, uniformed police officers were covered under the Local Fire and Police System (LFPS). Effective July 1, 2008, the uniformed police officers transferred from the Local Fire and Police System (LFPS) to the Law Enforcement Officers' Pension System (LEOPS).

Both of these plans are cost-sharing multiple-employer defined benefit plans, providing retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the Systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The MSRS, which issues its own financial report, is a component unit of the State of Maryland's financial reporting entity. Detailed information of the plans and copies of its financial report may be obtained from:

State Retirement Agency of Maryland
120 E. Baltimore Street
Baltimore, Maryland 21202

Funding Policy

Employees covered under the ACPS were required to contribute 5% of their earnable compensation during FY 2010. The City is required to contribute at an actuarially determined rate. The current rate is 4.05% of covered payroll. The City also is required to pay an ACPS surcharge at a rate of 7.44% and a Retirement System Surcharge of 5% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the MSRS Board of Trustees. The City's base contributions for the years ended June 30, 2010, 2009, and 2008 were \$365,760, \$333,979, and \$435,236 respectively, equal to the required employer contributions for each year. The City's ACPS surcharge for the year ended June 30, 2010 was \$600,395, equal to the required employer contribution for the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 19. Pension and Retirement Systems – (Continued)

Employees covered under the LEOPS contribute 5% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 30.03% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the year ended June 30, 2010 totaled \$669,643. The City's contributions for LFPS for the years ended June 30, 2009 and 2008 were \$802,397 and \$522,506, respectively, which were equal to the required employer contributions for each year.

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation into a trust which is a separate entity self trusted by the City under Internal Revenue Code Section 457(b) Deferred Compensation Plan. The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. Employees deferred \$264,569 into the deferred compensation plan during the current year.

The City had also established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled "City of Cumberland 401(a) Match Plan," however the City's obligation to match the first \$300 the City management employees deferred into the deferred compensation plan described in the preceding paragraph, ended June 30, 2007 but the plan also receives other employer contributions. The City contributed \$10,832 in accordance with employee contract agreements into the deferred compensation plan for the current year. The City also contributed \$71,645 into this deferred compensation plan for employees who elected to opt-out of the City health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. Plan provisions and contribution requirements are established by and may be amended by the City.

Note 20. Post-Employment Health Care Benefits

Plan Description. The City of Cumberland sponsors a single-employer post-retirement medical plan administered by the City of Cumberland. The Plan provides medical, prescription, and death benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 20. Post-Employment Health Care Benefits – (Continued)

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor & City Council of Cumberland, Maryland. The required contribution is based on projected pay-as-you-go financing requirements. Certain retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage), until they reach age 65. Retirees must pay 50% of the COBRA equivalent cost of this benefit for their coverage and 100% of the COBRA equivalent cost of the beneficial coverage. After 65, the City pays for the retirees “standard” Medicare Supplement (excluding drugs) and the retiree must pay for any additional benefits (i.e. Major medical and/or beneficial coverage).

These benefits will be phased out by June 30, 2011 except for a small group of grandfathered retirees. Amortization periods have been adjusted to reflect the pending cessation of the City’s supplementation of these post-retirement benefits.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post-retirement (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 22.32 percent of annual covered payroll. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$168,995
Interest on Net OPEB Obligation	6,441
Adjustment to Annual Required Contribution	<u>(19,591)</u>
Annual OPEB Cost (Expense)	\$155,845
Contributions Made	<u>(245,652)</u>
Increase/(Decrease) in Net Obligation	<u><u>(\$89,807)</u></u>
 Net OPEB Obligation (BOY)	 \$85,983
Net OPEB Obligation (EOY)	(3,824)

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 20. Post-Employment Health Care Benefits – (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$549,149	84.3%	\$85,983
6/30/2010	\$155,845	157.6%	(\$3,824)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$601,049 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$601,049. The covered payroll (annual payroll of active employees covered by the plan) was \$757,004 and the ratio of the UAAL to the covered payroll was 79.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 20. Post-Employment Health Care Benefits – (Continued)

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a rate based on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2009 was 5 years to reflect the pending cessation of the Plan for all but a few grandfathered retirees. No OPEB benefits are based on future salary levels.

Note 21. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 22, 2010, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

On July 1, 2010, the City issued \$2 million of tax anticipation notes to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The notes were issued in anticipation of collection of property taxes to be received during the 2010-2011 fiscal year and was repaid with property tax revenue and other income (with the exception of water department income) by October 1, 2010.

On November 22, 2010, the City settled on a 15 year loan in the amount of \$1,532,200. The proceeds from the loan will be used to finance upgrades to the HVAC equipment located at their Memorial Campus Facility. The loan carries an interest rate of 6% payable in semi-annual payments due each April 1st and October 1st, with the first payment scheduled to be made on April 1, 2011.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with
Revenues:	Original	Final	Actual Amounts	Final Budget
Taxes	\$ 10,518,734	\$ 10,518,734	\$ 10,125,116	\$ (393,618)
Licenses and permits	197,860	197,860	288,312	90,452
Intergovernmental	3,480,724	3,480,724	3,793,551	312,827
Charges for services	1,650,617	1,650,617	1,333,993	(316,624)
Fines and forfeitures	2,500	2,500	1,810	(690)
Interest	25,000	25,000	3,939	(21,061)
Miscellaneous	818,714	818,714	505,434	(313,280)
Total Revenues	16,694,149	16,694,149	16,052,155	(641,994)
Expenditures:				
Current:				
General government	1,637,811	1,625,000	1,621,847	3,153
Public safety	10,418,197	10,025,000	10,023,519	1,481
Public works	2,708,379	2,425,000	2,421,251	3,749
Recreation	1,049,520	860,000	859,541	459
Community development and housing	446,681	1,705,000	1,702,207	2,793
Debt Service:				
Principal	659,708	1,100,000	1,054,179	45,821
Interest	462,417	515,000	510,093	4,907
Total Expenditures	17,382,713	18,255,000	18,192,637	62,363
Revenues in Excess of (Less Than) Expenditures	(688,564)	(1,560,851)	(2,140,482)	(579,631)
Other Financing Sources (Uses):				
Transfers-in	940,056	2,200,000	2,151,600	(48,400)
Transfers-out	(245,960)	(452,000)	(451,085)	915
Total Other Financing Sources	694,096	1,748,000	1,700,515	(47,485)
Net Change in Fund Balances	\$ 5,532	\$ 187,149	(439,967)	\$ (627,116)
Fund balance, beginning			672,649	
Fund balance, ending			<u>\$ 232,682</u>	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2010

- (1) An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred.
- (2) Annual budgets are not adopted for any other governmental fund as the City is not legally required to adopt such budgets.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLAN CONTRIBUTIONS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$0	\$7,874,830	0%	\$7,874,830	\$6,204,000	127.0%
July 1, 2009	\$0	\$601,049	0%	\$601,049	\$757,004	79.4%

City of Cumberland, Maryland

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS

Non-major Governmental Funds

Tax Increment Financing District

This fund represents Special Obligation Bond funds that were used to develop Shades Lane. Tax increment revenues used to pay bonds.

Rehabilitation Loan Fund

Loan program provided to property owners to make improvements to their residents.

Special Taxing District

Accounts for the special tax on property owners in the downtown area to pay for the development of the Downtown Mall.

Community Legacy

Community Legacy is a state grant that provides funds to aid local governments and non profits in meeting a variety of community development needs.

Police Grants

The City receives federal and state grants to be used by the Police Department which are accounted for in this fund.

Lender's Loan

Fund tracks the City's portion of a small business loan program that provides funds through the state, City, and local banks.

Program Open Space

Program Open Space funds are provided by the state for outdoor park projects and tracked through this fund.

Community Parks

Grant funds provided through the Maryland Community Parks and Playgrounds Program.

Economic Development

Expenditures are designed to specifically support economic development activities and initiatives.

PIB06

Public Improvement Bond used to fund security upgrades throughout City buildings, infrastructure and building capital improvement projects, and a new fire engine.

Johnson Controls

This fund was established for a lease agreement with M&T Bank for the payment of Johnson Controls Energy Performance Contract. The funds were held in escrow until payment of completed work which was invoiced by Johnson Controls.

Misc Funds

Includes revenues collected and expended for specific purposes, for example fireworks donations and Let's Beautify Cumberland, where the City desires to track revenue and expenses separately.

Non-major Proprietary Funds

Trash

Revenues and expenses for the City's trash collection.

Property Rental

Rental revenues and expenses related to rental of City owned properties – Naval Reservoir and HRDC building.

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Tax Incremental Financing District	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	Economic Dev	P&B 2006	Misc. Capital Projects Funds	Misc Special Revenue Funds	Total Non-Major Governmental Funds
ASSETS													
Cash and Cash Equivalents	\$ 5,530	\$ -	\$ 8,116	\$ 14	\$ 10,871	\$ 1,340	\$ 2,259	\$ 4,486	\$ 4,056	\$ 4,670	\$ 15,106	\$ 71,476	\$ 127,724
Investments			107,982							80,556		-	188,538
Accounts receivable			100									4,926	5,026
Prepaid Expenses			6,220									6,250	12,470
Housing loans receivable		321,627										-	321,627
Taxes receivable			35,005									-	35,005
Notes receivable		477										-	477
Loans receivable				564,373								-	564,373
Due from other governments				199,231	71,453				7,337		90,767	3,364	332,172
Restricted investment						105,000		20,000					8,379
Due from other funds	12,300											80,000	217,300
Total Assets	\$ 17,830	\$ 322,104	\$ 165,802	\$ 723,618	\$ 82,124	\$ 106,340	\$ 2,259	\$ 24,486	\$ 11,393	\$ 85,226	\$ 105,873	\$ 166,036	\$ 1,813,091
LIABILITIES AND FUND EQUITY													
LIABILITIES:													
Accounts payable	\$ -	\$ -	\$ 4,265	\$ 15,000	\$ 65,505	\$ -	\$ -	\$ -	\$ 9,470	\$ 2,504	\$ 135,804	\$ 12,365	\$ 244,913
Accrued wages			5,064		3,395				2,693		2,239	-	13,391
Interfund payables	45,149			111,400			12,632					31,420	200,601
Deferred revenues			20,314	524,481							10,851	3,364	559,030
Loans payable												-	-
Total Liabilities	45,149	-	29,643	650,881	68,900	-	12,632	-	12,163	2,504	148,894	47,169	1,017,935
FUND BALANCES:													
Fund balances:													
Reserved for prepaids			6,220									6,250	12,470
Reserved for encumbrances			4,206						60,500			950	65,656
Reserved for restrictions			8,379										8,379
Reserved for long-term assets		322,104										-	394,420
Unreserved - Capital Projects				72,316									39,701
Unreserved - Special Revenue Funds	(27,319)		117,354	421	13,224	106,340	(10,373)	24,486	(61,270)	82,722	(43,021)	111,667	274,530
Total Fund Balances	(27,319)	322,104	136,159	72,737	13,224	106,340	(10,373)	24,486	(770)	82,722	(43,021)	118,867	795,156
Total Liabilities and Fund Balances	\$ 17,830	\$ 322,104	\$ 165,802	\$ 723,618	\$ 82,124	\$ 106,340	\$ 2,259	\$ 24,486	\$ 11,393	\$ 85,226	\$ 105,873	\$ 166,036	\$ 1,813,091

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Tax Incremental Financing District	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	Economic Dev	PB 2006	Misc. Capital Projects Funds	Misc Funds	Total Non-Major Governmental Funds
Revenues:													
Taxes	\$ 44,659	\$ -	\$ 183,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,054
Charges for services	-	-	500	628,409	355,333	-	-	17,200	39,930	-	256,694	2,100	2,100
Intergovernmental revenues	-	3	286	1,463	223	23	-	-	-	-	-	56,493	1,354,558
Interest	-	116	33,516	-	-	-	-	-	800	-	-	9	2,230
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	44,659	119	217,697	629,872	355,556	23	-	17,200	40,530	223	256,694	82,071	1,644,644
Expenditures:													
Current:													
General government	-	-	222,287	15,000	243,480	-	-	-	-	-	-	38,419	275,706
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	243,480
Public works	-	-	-	-	-	-	-	-	-	1,199	10,787	2,150	14,136
Recreation	-	-	-	635,062	-	-	-	-	153,408	-	-	12,500	12,500
Community development and housing	-	-	-	-	-	-	-	17,200	-	72,844	284,249	54,134	842,604
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	15,200	389,493
Debt Service:													
Principal	32,000	-	20,086	-	-	-	-	-	6,956	-	-	-	59,042
Interest	17,198	-	4,530	-	-	-	-	-	-	-	-	-	21,728
Total Expenditures	49,198	-	246,903	650,062	243,480	-	-	17,200	160,364	74,043	295,036	122,403	1,858,689
Total Revenues in Excess of (Less Than) Expenditures	(4,539)	119	(29,206)	(20,190)	112,076	23	-	-	(119,834)	(73,820)	(38,342)	(40,332)	(214,045)
Other Financing Sources (Uses):													
Operating transfers-in	11,541	-	4,415	-	-	-	-	-	145,000	32,325	-	24,000	217,281
Operating transfers-out	-	(21,333)	-	-	-	(40)	-	-	-	-	-	(58)	(21,431)
Total Other Financing Sources (Uses)	11,541	(21,333)	4,415	-	-	(40)	-	-	145,000	32,325	-	23,942	195,850
Net Change in Fund Balance	7,002	(21,214)	(24,791)	(20,190)	112,076	(17)	-	-	25,166	(41,495)	(38,342)	(16,390)	(18,195)
Fund balance (deficit), beginning	(34,321)	343,318	160,950	92,927	(98,852)	106,357	(10,373)	24,486	(25,936)	124,217	(4,679)	135,257	813,351
Fund balance (deficit), ending	\$ (27,319)	\$ 322,104	\$ 136,159	\$ 72,737	\$ 13,224	\$ 106,340	\$ (10,373)	\$ 24,486	\$ (770)	\$ 82,722	\$ (43,021)	\$ 118,867	\$ 795,156

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
ASSETS			
Current Assets:			
Cash	\$ 1,651	\$ 16,245	\$ 17,896
Accounts receivable	77,784	25,327	103,111
Interfund receivables, current	290,000	6,400	296,400
Total Current Assets	<u>369,435</u>	<u>47,972</u>	<u>417,407</u>
Noncurrent Assets:			
Buildings and improvements	-	5,244	5,244
Accumulated depreciation	-	(176)	(176)
Total Non-Current Assets	<u>-</u>	<u>5,068</u>	<u>5,068</u>
Total Assets	<u>\$ 369,435</u>	<u>\$ 53,040</u>	<u>\$ 422,475</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	114,531	42,223	156,754
Total Current Liabilities	<u>114,531</u>	<u>42,223</u>	<u>156,754</u>
Noncurrent Liabilities:			
Interfund payables, non-current	191,365	-	191,365
Total Non-Current Liabilities	<u>191,365</u>	<u>-</u>	<u>191,365</u>
Total Liabilities	<u>305,896</u>	<u>42,223</u>	<u>348,119</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	5,068	5,068
Restricted Net Assets	-	-	-
Unrestricted	63,539	5,749	69,288
Total Net Assets	<u>63,539</u>	<u>10,817</u>	<u>74,356</u>
Total Liabilities and Net Assets	<u>\$ 369,435</u>	<u>\$ 53,040</u>	<u>\$ 422,475</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Operating Revenues:			
Charges for Services:			
Domestic	\$ 1,287,080	\$ -	\$ 1,287,080
Industrial	2,890	-	2,890
Rents/Concessions	-	87,998	87,998
Other	15,857	-	15,857
Total Operating Revenues	<u>1,305,827</u>	<u>87,998</u>	<u>1,393,825</u>
Operating Expenses:			
Personal services	-	8,612	8,612
Utilities	-	222,257	222,257
Supplies	5,324	-	5,324
Repairs and maintenance	-	29,148	29,148
Landfill fees	325,773	-	325,773
Depreciation	-	176	176
Contractual Service	626,016	21,747	647,763
Other operating expenses	96,697	19,503	116,200
Total Operating Expenses	<u>1,053,810</u>	<u>301,443</u>	<u>1,355,253</u>
Operating Income (loss)	<u>252,017</u>	<u>(213,445)</u>	<u>38,572</u>
Non-Operating (Expenses):			
Interest expense	-	(432)	(432)
Gain (Loss) on disposal of assets	-	152,383	152,383
Total Non-Operating (loss)	<u>-</u>	<u>151,951</u>	<u>151,951</u>
Net income (loss) Before			
Contributions and Transfers	252,017	(61,494)	190,523
Assumption of debt by governmental activities	-	44,679	44,679
Transfers-in (out)	<u>-</u>	<u>(743,600)</u>	<u>(743,600)</u>
Net Income (loss)	252,017	(760,415)	(508,398)
Net assets-beginning of year	<u>(188,478)</u>	<u>771,232</u>	<u>582,754</u>
Net assets-end of year	<u>\$ 63,539</u>	<u>\$ 10,817</u>	<u>\$ 74,356</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 1,317,751	\$ 55,586	\$ 1,373,337
Cash payments to suppliers	(1,062,451)	(261,698)	(1,324,149)
Cash payments for personal services	-	(8,612)	(8,612)
Other operating receipts	15,857	-	15,857
Net Cash Provided (Used) by Operating Activities	<u>271,157</u>	<u>(214,724)</u>	<u>56,433</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	-	(743,600)	(743,600)
Loans from other funds	(270,000)	(6,400)	(276,400)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(270,000)</u>	<u>(750,000)</u>	<u>(1,020,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	-	7,085	7,085
Acquisition and construction of capital assets	-	(5,469)	(5,469)
Proceeds from sale of capital assets	-	959,625	959,625
Principal paid on capital debt	-	(3,858)	(3,858)
Interest paid on capital debt	-	(1,282)	(1,282)
Deferred financing charge	-	224	224
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>956,325</u>	<u>956,325</u>
Net Increase in Cash and Cash Equivalents	1,157	(8,399)	(7,242)
Cash and Cash Equivalents at Beginning of Year	494	24,644	25,138
Cash and Cash Equivalents at End of Year	<u>\$ 1,651</u>	<u>\$ 16,245</u>	<u>\$ 17,896</u>
Reconciliation of Cash to Statement of Net Assets			
Cash balance-Statement of Net Assets	\$ 1,651	\$ 16,245	\$ 17,896
Investment balance-Statement of Net Assets	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 1,651</u>	<u>\$ 16,245</u>	<u>\$ 17,896</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 252,017	\$ (213,445)	\$ 38,572
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	176	176
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	27,781	(25,327)	2,454
Increase (decrease) in accounts payable	(8,641)	30,957	22,316
Increase (decrease) in deferred revenues	-	(7,085)	(7,085)
Net cash provided (used) by operating activities	<u>\$ 271,157</u>	<u>\$ (214,724)</u>	<u>\$ 56,433</u>
Noncash operating, financing, and investing activities:			
Assumption of debt by governmental activities	\$ -	\$ 44,679	\$ 44,679

Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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PAGES

Financial Trends

73 - 76

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

77 - 81

These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

82 - 84

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the near future.

Economic and Demographic Information

85 - 87

These schedules offer economic and demographic data to help the reader understand the Environment within which the City's financial activities take place.

Operating Information

88 - 90

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources:

Financial Trend, Revenue Capacity and Debt Capacity data was compiled from various sources of information maintained by the City Finance Office and the Tax and Utility Office.

Economic and Demographic Information, and Operating Information were compiled from data maintained by the various departments within the City.

Notes:

The City implemented GASB Statement 34 in FY 2003; schedules presenting government-wide information include information beginning in that year.

Where ten years of data is available, that information is presented. For consistency and comparability purposes, where ten years of data was not available, the City has presented data for the current year and ten years prior, if available.

City of Cumberland, Maryland

Net Assets by Category Government Wide, Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	14,626,885	15,184,517	15,267,735	14,711,560	14,091,543	11,085,676	14,988,772	15,427,981
Restricted	1,114,859	641,121	503,291	734,463	749,796	657,169	886,915	917,895
Unrestricted	1,860,966	785,475	(534,608)	(588,266)	710,280	(1,765,789)	(5,436,042)	(4,488,333)
Total Governmental Activities Net Assets	17,602,710	16,611,113	15,238,418	14,857,757	15,551,619	9,977,056	10,439,645	11,857,543
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	28,936,326	32,351,648	33,492,177	33,748,518	35,809,340	37,686,049	42,359,859	57,597,712
Restricted	227,092	227,092	232,096	634,853	249,144	-	-	-
Unrestricted	2,644,273	2,840,683	2,172,581	2,336,796	1,074,763	1,864,475	(242,674)	941,058
Total Business-Type Activities Net Assets	31,807,691	35,419,423	35,896,854	36,720,167	37,133,247	39,550,524	42,117,185	58,538,770
Primary Government								
Invested in Capital Assets, Net of Related Debt	43,563,211	47,536,165	48,759,912	48,460,078	49,900,883	48,771,725	57,348,631	73,025,693
Restricted	1,341,951	868,213	737,387	1,369,316	998,940	657,169	886,915	917,895
Unrestricted	4,505,239	3,626,158	1,637,973	1,748,530	1,785,043	98,686	(5,678,716)	(3,547,275)
Total Primary Government Net Assets ¹	49,410,401	52,030,536	51,135,272	51,577,924	52,684,866	49,527,580	52,556,830	70,396,313

Note: Government-wide statement were not available until FY 2003.

¹ Net Assets for FY 2008 were restated due to a prior period adjustment presented in note 12 to the financial statements, for a pension bond obligation that should have been reported as a liability.

City of Cumberland, Maryland

Changes in Net Assets by Category Government Wide, Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General Government	1,507,459	2,101,017	2,229,057	1,924,694	2,529,184	2,719,050	2,264,903	2,008,255
Public Safety	9,244,760	8,609,865	8,889,680	9,729,813	10,001,075	11,400,713	10,600,736	9,770,827
Public Works	4,011,070	3,203,225	3,123,299	2,984,833	3,043,152	3,614,261	3,131,186	2,948,320
Recreation	957,612	975,202	1,025,874	1,051,627	984,452	1,231,744	995,388	961,292
Community Development and Housing	3,780,353	4,499,317	3,992,664	3,207,042	3,238,798	3,948,656	4,293,984	4,849,201
Interest on long-term debt	286,264	272,162	252,283	262,084	329,613	340,306	869,308	1,019,308
Total governmental activities expenses	19,787,518	19,660,788	19,512,857	19,160,093	20,126,274	23,254,730	22,155,505	21,557,203
Business-type activities:								
Water	5,352,997	5,302,049	5,663,826	5,833,754	5,690,721	5,974,681	6,161,821	6,320,205
Sewer	3,868,362	4,263,477	4,069,506	4,576,650	4,750,614	5,177,984	5,271,342	5,247,556
Municipal Parking Authority	412,183	394,348	393,676	427,664	387,032	408,599	548,361	524,639
Trash	542,392	729,114	775,255	1,060,739	1,085,377	1,119,361	1,075,309	1,053,810
Property Rental	70,616	69,381	67,670	130,848	73,690	112,660	120,112	301,875
Total business-type activities expenses	10,246,550	10,758,369	10,969,933	12,029,655	11,987,634	12,793,285	13,076,945	13,448,085
Total primary government expenses	30,034,068	30,419,157	30,482,790	31,189,748	32,113,908	36,048,015	36,272,450	35,005,288
Program Revenues								
Governmental activities:								
Charges for services:								
General Government	440,646	578,373	578,659	588,073	632,090	597,521	678,839	694,279
Public Safety	635,716	731,682	661,666	850,504	1,825,283	1,106,758	1,348,944	1,160,036
Public Works				14,986	4,106	1,549		
Recreation	96,618	122,907	130,142	134,664	146,491	158,651	116,688	101,905
Community Development and Housing	75,742	71,437	78,652	86,723	111,423	92,655	109,047	79,104
Interest on long-term debt								
Operating grants and contributions	5,914,518	6,297,814	5,947,695	5,635,159	5,794,322	5,835,567	5,915,626	5,992,859
Capital grants and contributions	653,444	1,008,619	296,235	284,407	154,534	953,810	701,110	300,718
Total governmental activities program revenue	7,816,684	8,810,832	7,693,049	7,594,516	8,668,249	8,746,511	8,870,254	8,328,901
Business-type activities:								
Water	6,373,990	6,686,957	6,582,264	7,056,703	7,270,405	7,624,538	8,139,843	7,980,068
Sewer	4,088,688	4,213,406	4,339,904	4,732,152	4,674,930	4,863,377	5,526,205	5,326,583
Municipal Parking Authority	444,707	498,329	445,424	461,314	440,612	648,710	628,769	660,608
Trash	524,359	746,155	745,363	942,212	976,787	1,109,411	1,131,770	1,305,827
Property Rental	109,750	137,091	152,987	141,887	146,755	205,172	136,123	67,998
Operating grants and contributions								
Capital grants and contributions	2,408,026	2,824,151	370,258	612,707	451,607	2,788,679	2,116,221	16,441,423
Total business-type activities program revenue	13,949,520	15,106,089	12,636,200	13,946,975	13,961,096	17,239,887	17,678,931	31,802,507
Total primary government revenues	21,766,204	23,916,921	20,329,249	21,541,491	22,629,345	25,986,398	26,549,185	40,131,408
Net (Expense)/Revenue								
Governmental activities	(11,970,834)	(10,849,956)	(11,819,808)	(11,565,577)	(11,458,025)	(14,508,219)	(13,285,251)	(13,228,302)
Business-type activities	3,702,970	4,347,720	1,666,267	1,917,320	1,973,462	4,446,602	4,601,986	18,354,422
Total primary government net expense	(8,267,864)	(6,502,236)	(10,153,541)	(9,648,257)	(9,484,563)	(10,061,617)	(8,683,265)	5,126,120
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes	7,554,128	7,360,358	7,593,762	8,150,523	8,350,221	8,678,884	9,434,314	10,309,651
Franchise Fees ¹					246,754	247,550	276,445	281,486
Other taxes	143,552	133,645	141,977	139,034	153,686	178,467	150,390	209,624
Shared revenues	1,257,087	1,139,105	1,079,029	1,279,788	1,288,824	1,430,311	1,357,674	1,477,345
Unrestricted investment earnings	64,152	38,922	34,466	91,276	137,013	115,410	123,212	134,696
Miscellaneous	363,632	421,664	372,737	386,608	189,277	284,957	352,889	144,575
Transfers	1,082,465	764,665	1,225,142	1,137,687	1,786,112	971,858	2,052,916	2,088,823
Total governmental activities	10,465,016	9,858,359	10,447,113	11,184,916	12,151,887	11,907,437	13,747,840	14,646,200
Business-type activities:								
Unrestricted investment earnings	41,816	28,677	36,306	43,680	225,730	104,431	17,591	3,603
Gain on sale of capital asset								152,383
Transfers	(1,082,465)	(764,665)	(1,225,142)	(1,137,687)	(1,786,112)	(971,858)	(2,052,916)	(2,088,823)
Total business-type activities	(1,040,649)	(735,988)	(1,188,836)	(1,094,007)	(1,560,382)	(867,427)	(2,035,325)	(1,934,440)
Total primary government	9,424,367	9,122,371	9,258,277	10,090,909	10,591,505	11,040,010	11,712,515	12,711,760
Changes in Net Assets								
Governmental activities:	(1,505,818)	(991,597)	(1,372,695)	(380,661)	693,862	(2,600,782)	462,589	1,417,898
Business-type activities:	2,662,321	3,611,732	477,431	823,313	413,080	3,579,175	2,566,661	16,421,585
Total primary government	1,156,503	2,620,135	(895,264)	442,652	1,106,942	978,393	3,029,250	17,839,483

¹ Franchise Fees were previously reports as miscellaneous income in years 2003 thru 2006

Note: Government-wide statement were not available until FY 2003.

City of Cumberland, Maryland

Fund Balances - Governmental Funds Last Seven Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	770,226	39,149	45,909	211,258	999,506	1,596,462	1,895,760	2,145,060
Unreserved	1,535,038	1,142,663	(81,703)	8,176	64,288	(865,200)	(1,223,111)	(1,912,378)
Total general fund	2,305,264	1,181,812	(35,794)	219,434	1,063,794	731,262	672,649	232,682
Housing Fund								
Reserved	14,858	30,711	34,585	29,340	19,636	30,041	38,724	39,059
Unreserved	65,006	72,338	37,866	(15,681)	(21,042)	(42,550)	(79,948)	(60,790)
Total housing fund	79,864	103,049	72,451	13,659	(1,406)	(12,509)	(41,224)	(21,731)
All Other Governmental Funds								
Reserved	640,256	593,562	571,268	568,889	511,654	1,882,533	499,258	493,737
Unreserved	229,472	(73,186)	(221,023)	(281,823)	135,492	(5,014)	196,397	274,530
Special Revenue Funds	927,551	299,643	(6,997)	(32,112)	1,890,177	621,216	9,167,317	7,845,997
Capital Projects Funds								
Total all other governmental funds	1,797,279	820,019	343,248	254,954	2,537,323	2,498,735	9,862,972	8,614,264
All Governmental Funds								
Total Fund Balance All Governmental Funds	4,182,407	2,104,880	379,905	488,047	3,599,711	3,217,488	10,494,397	8,825,215

Note: For consistency purposes, financial data is only presented for the last eight years, since the government-wide data was only available for those periods.

City of Cumberland

Changes in Fund Balances - Governmental Funds Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	7,725,846	7,664,751	7,876,051	8,445,424	8,652,112	8,779,740	9,799,768	10,353,170
Licenses and permits	161,295	132,615	109,803	189,907	1,129,714	274,909	236,101	288,312
Intergovernmental	8,007,629	8,312,003	7,206,070	7,215,047	7,393,334	8,009,375	8,205,565	7,968,020
Charges for Services	862,361	1,026,313	1,002,146	1,123,787	1,210,380	1,331,927	1,605,836	1,336,093
Fines and Forfeitures	5,081	4,646	2,520	793	25	375	500	1,810
Interest	69,670	42,538	38,257	95,332	140,472	118,953	124,986	108,498
Miscellaneous	547,477	609,705	556,262	563,407	677,262	536,508	797,017	565,979
Total revenue	17,379,359	17,792,571	16,791,109	17,633,697	19,203,299	19,051,787	20,769,773	20,621,882
Expenditures								
Current Operations								
General Government	1,717,065	1,766,887	1,862,090	1,848,084	2,049,116	2,203,636	2,206,697	1,897,553
Public Safety	8,736,735	8,588,961	8,700,636	9,601,532	10,008,301	10,364,099	10,670,154	10,266,999
Public Works	3,104,463	2,747,694	3,184,789	2,467,915	2,608,485	3,087,626	2,486,053	2,435,387
Recreation	985,084	896,376	1,040,133	1,138,786	1,008,340	1,147,048	1,009,605	872,041
Community development and housing	3,963,105	4,719,401	4,116,848	3,505,883	3,362,049	4,090,933	5,449,267	5,287,740
Capital Outlay	452,363	1,503,702	449,720	116,420	916,129	2,077,914	930,412	1,502,551
Debt Service								
Principal	426,470	488,690	585,934	790,555	763,831	902,588	1,164,828	1,181,844
Interest	268,892	276,610	255,809	261,936	299,992	332,758	717,536	1,011,608
Bond issue costs			25,267	7,998	8,007		294,690	
Total Expenditures	19,654,177	20,988,321	20,221,226	19,739,109	21,024,250	24,206,602	24,929,242	24,455,723
Excess (deficiency) revenue over expenditures	(2,274,818)	(3,195,750)	(3,430,117)	(2,105,412)	(1,820,951)	(5,154,815)	(4,159,469)	(3,833,841)
Other Financing Sources (Uses)								
Transfers-in	1,378,019	1,558,573	1,344,611	1,185,643	2,297,823	1,647,212	2,477,328	2,637,175
Transfers-out	(295,554)	(793,910)	(119,469)	(47,956)	(511,711)	(481,787)	(683,366)	(472,516)
Financing Proceeds	1,448,655	349,238	480,000	1,057,100	3,118,258	2,280,600	9,154,872	
Refunding Proceeds		69,992		417,144	1,226,597		3,636,221	
Payment to refund bonds		(65,670)		(398,377)	(1,198,352)		(3,148,677)	
Total Other Financing Sources (Uses)	2,531,120	1,118,223	1,705,142	2,213,554	4,932,615	3,446,025	11,436,378	2,164,659
Net change in fund balances	256,302	(2,077,527)	(1,724,975)	108,142	3,111,664	(1,708,790)	7,276,909	(1,669,182)
Debt Service as percentage of non-capital expenditures	3.82%	4.05%	4.50%	5.70%	5.44%	5.84%	8.00%	9.79%
Note: Expenditures for Capital Assets are reported above as "Capital Outlays, as well as departmental expenditures. The total expenditures for capital assets is utilized for computing the ratio above.								
Total Expenditures for Capital Assets	\$ 1,471,191	\$ 2,100,452	\$ 1,534,452	\$ 1,272,265	\$ 1,454,302	\$ 3,036,705	\$ 1,413,617	\$ 2,058,085

Note: For consistency purposes, financial data is only presented for the last eight years, since the government-wide data was only available for those periods.

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections and Credits	Percent of Levy Collected	Delinquent		Total Tax Collections and Credits	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy	
				Tax Collections	and Credits							
2010	9,765,311	8,509,422	87.14%			8,509,422	95.18%		1,255,889		12.86%	
2009	8,940,621	8,296,738	92.80%	295,697		8,592,435	96.11%		348,186		3.89%	
2008	6,566,258	5,933,129	90.36%	609,523		6,542,652	99.64%		23,606		0.36%	
2007	6,210,956	5,986,973	96.39%	205,525		6,192,498	99.70%		18,458		0.30%	
2006	5,315,397	5,122,796	96.38%	180,037		5,302,833	99.76%		12,564		0.24%	
2005	5,185,638	5,002,804	96.47%	166,404		5,169,208	99.68%		16,430		0.32%	
2004	4,993,434	4,817,654	96.48%	163,574		4,981,228	99.76%		12,206		0.24%	
2003	4,774,182	4,528,706	94.86%	220,947		4,749,653	99.49%		24,529		0.51%	
2002	4,674,414	4,485,582	95.96%	164,965		4,650,547	99.49%		23,867		0.51%	
2001	5,456,464	5,231,337	95.87%	211,124		5,442,461	99.74%		14,003		0.26%	

Note: The above information relates to property tax levies and collections in the General Fund.

Total collections include adjustments in "total tax levy" in year prior to original tax levy.

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Real Property		Personal Property - Unincorporated		Personal Property - Privately Owned Railroads and Public Utilities		Personal Property - Corporation		Total Personal Property Tax Base		Personal Property Total Direct Tax Rate	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2010	\$786,812,202	\$786,812,202	0.9654		\$1,583,459	\$1,583,459	\$34,788,640	\$34,788,640	\$59,410,206	\$59,410,206	\$882,594,507	\$882,594,507	\$2.648	
2009	721,894,655	721,894,655	0.9654		1,798,753	1,798,753	38,538,100	38,538,100	33,942,231	33,942,231	796,173,739	796,173,739	\$2.648	
2008	675,560,720	675,560,720	0.9479		2,164,894	2,164,894	37,694,880	37,694,880	75,428,421	75,428,421	790,848,915	790,848,915	\$2.568	
2007	651,505,538	651,505,538	0.9479		1,996,728	1,996,728	42,019,704	42,019,704	38,849,771	38,849,771	734,371,741	734,371,741	\$2.568	
2006	607,847,477	607,847,477	0.9479		2,145,639	2,145,639	41,165,849	41,165,849	45,560,670	45,560,670	696,719,635	696,719,635	\$2.568	
2005	543,954,320	543,954,320	0.9479		2,376,716	2,376,716	40,624,961	40,624,961	88,673,297	88,673,297	675,629,291	675,629,291	\$2.568	
2004	570,157,798	570,157,798	0.8720		2,462,827	2,462,827	41,645,527	41,645,527	34,375,911	34,375,911	648,642,063	648,642,063	\$2.370	
2003	545,342,890	545,342,890	0.8720		2,802,532	2,802,532	45,195,232	45,195,232	37,982,807	37,982,807	631,323,461	631,323,461	\$2.370	
2002	534,386,927	534,386,927	0.8720		2,710,844	2,710,844	43,907,131	43,907,131	37,465,889	37,465,889	618,470,791	618,470,791	\$2.370	
2001	208,582,385	208,582,385	1.0400		1,508,385	1,508,385	42,908,692	42,908,692	30,684,270	30,684,270	283,683,732	283,683,732	\$2.370	
2000	\$207,568,696	\$207,568,696	1.0480		\$2,758,664	\$2,758,664	\$40,886,183	\$40,886,183	\$33,380,503	\$33,380,503	\$284,594,046	\$284,594,046	\$2.620	

Notes: As the result of a change to state law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001

Source: Property Taxes and Taxes Receivable - Uniform Financial Report

City of Cumberland, Maryland

Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments

Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Tax Rate per \$100 of Assessed Value</u>									
	<u>City</u>			<u>County</u>			<u>State</u>			<u>...</u> Tax Levies ...
<u>30-Jun</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>State</u>
2010	0.9654	0.8990	0.0112	1.8756	7,595,884	7,073,442	881,230	15,550,555		
2009	0.9654	0.9907	0.1120	2.0681	6,969,170	7,151,810	808,522	14,929,502		
2008	0.9479	0.9829	0.1120	2.0428	6,403,640	6,640,086	756,628	13,800,354		
2007	0.9479	0.9828	0.1120	2.0427	6,175,620	6,402,996	729,686	13,308,302		
2006	0.9479	0.9309	0.1120	1.9908	5,308,503	6,485,763	780,325	12,574,591		
2005	0.8720	0.9248	0.1320	1.9288	5,183,117	6,248,219	891,830	12,323,166		
2004	0.8720	1.0000	0.1320	2.0040	4,983,126	6,486,420	856,207	12,325,753		
2003	0.8720	0.9838	0.1320	1.9878	4,759,251	6,210,960	833,346	11,803,557		
2002	0.8720	0.9840	0.0840	1.9400	4,670,932	6,085,752	519,515	11,276,199		
2001 ¹	1.0400	0.9040	0.0840	2.0280	5,430,220	2,564,500	238,294	8,233,014		

Note: City Tax Levies calculated by adding full and semi levies. County and State calculated by using County assessment numbers in the Allegany County Comprehensive Annual Financial Report.

¹ In FY 2001, the value of real property assessments were presented as 40% of the estimated actual value. In FY 2002, Maryland State Law changed the assessment valuation for real property from 40% to 100%. Real property tax rates were proportionately reduced. FY 2001 has been adjusted for comparison purposes.

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Principal Property Tax Payers Real Property Taxes

Current Year and Nine Years Ago

		2010			2001		
Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxpayer	Taxable Assessed Value	Percentage of Total Assessed Value of Real Property in the City
CSX Transportation		\$ 7,764,930	1	2.12%			
Canal Place Preservation		6,794,633	2	1.85%			
ARC Cumberland		6,717,700	3	1.83%	ARC Cumberland	\$ 929,378	9 1.09%
Sacred Heart Hospital		6,642,066	4	1.81%	Sacred Heart Hospital	1,101,600	7 1.30%
W2001 Eastern Hotel Realty LP		5,766,900	5	1.57%	W2001 Eastern Hotel Realty LP	1,553,350	2 1.83%
S-N Realty LLC		5,606,633	6	1.53%			
Allegany Healthcare Group LLC		5,239,733	7	1.43%			
Perini Services-Devlin Manor		5,117,266	8	1.39%			
123 South Liberty Street LLC		4,591,333	9	1.25%			
Cumberland Manor Associates		3,437,366	10	0.94%	Cumberland Manor Associates	1,989,320	1 2.34%
					Memorial Hospital-Medical Cent	1,263,240	3 1.49%
					1050 Industrial Blvd LLC	1,257,440	4 1.48%
					Cumberland Plaza Associates LF	1,243,060	5 1.46%
					American Trust Bank	1,230,000	6 1.45%
					Nationwide Health Prop Finance	953,360	8 1.12%
					Steinbach, Louis & David Trustee	918,600	10 1.08%
Percentage of total taxes for year				15.72%			
Total		\$ 367,094,286			\$ 84,936,303		14.64%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Principal Property Tax Payers
Corporation Personal Property Taxes
Current Year and Nine Years Ago

2010				2001			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	\$ 11,770,800	1	14.91%	Verizon - Maryland	\$ 17,751,250	1	20.53%
Verizon - Maryland	10,548,970	2	13.36%	Potomac Edison Company	12,217,290	2	14.13%
Columbia Gas of Maryland	6,978,000	3	8.84%	CSX Transportation	6,506,410	3	7.53%
CSX Transportation	4,138,920	4	5.24%	Columbia Gas of Maryland	6,091,900	4	7.05%
Atlantic Broadband	2,994,190	5	3.79%	Giant Food Stores	1,704,670	7	1.97%
Giant Food Stores	2,971,210	6	3.76%				
Infospherix Inc	2,579,400	7	3.27%				
F Daniel Jackson M.D., P.A.	1,681,100	8	2.13%	Charter Communications VI	3,737,250	5	4.32%
Level 3 Communications	1,188,830	9	1.51%	General Electric Capital	2,439,070	6	2.82%
Haystack Imaging Services LLC	891,630	10	1.13%	Thomson Newspapers	1,293,050	8	1.50%
				Mellon Leasing Corp	792,280	9	0.92%
				Christopher Photo Lab	738,840	10	0.85%
Percentage of total taxes for year			57.94%				61.62%
Total	\$ 78,959,852				\$ 86,447,775		

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Population</u> ¹	<u>Assessed Value</u> (000's) ²	<u>Total Bonded Debt - Primary Government</u> ³	<u>Proprietary Funds</u> ⁴	<u>Governmental Funds (Net)</u>	<u>Net Governmental Bonded Debt to Assessed</u>	<u>Net Governmental Bonded Debt to Per Capita</u>	<u>Notes and Leases for Governmental Funds</u>	<u>Notes and Leases for Proprietary Funds</u>	<u>Total Debt Per Capita</u>
June 30						<u>Value Ratio</u>	<u>Ratio</u>			
2010	20,449	\$ 882,594	\$ 44,603,623	\$ 27,897,779	\$ 16,705,844	18.93%	816.95	\$2,851,918	\$2,644,322	\$ 2,449.99
2009	20,495	796,174	41,286,363	24,029,223	17,257,140	21.68%	842.02	3,424,630	2,984,847	2,327.19
2008	20,758	790,849	30,379,946	24,946,950	5,432,996	6.87%	261.73	3,817,476	3,322,252	1,807.48
2007	21,518	734,371	32,979,947	26,987,965	5,991,982	8.16%	278.46	2,019,579	3,310,224	1,780.36
2006	20,758	696,719	30,508,048	25,881,353	4,626,695	6.64%	222.89	1,002,193	514,854	1,542.78
2005	20,954	675,629	30,803,596	25,727,725	5,075,871	7.51%	242.24	267,708	33,556	1,484.44
2004	21,199	648,642	31,803,421	26,782,209	5,021,212	9.28%	284.03	428,304	52,499	1,522.91
2003	21,077	631,323	33,712,960	28,396,810	5,316,150	8.42%	252.23	268,491	62,210	1,615.20
2002	21,219	618,470	31,332,053	27,131,565	4,200,488	6.79%	197.96	361,966	\$78,150	1,497.35
2001	21,426	\$ 283,683	\$ 29,378,585	\$ 24,890,168	\$ 4,488,417	15.82%	209.48	\$411,184	\$	\$ 1,390.36

¹ Source: City of Cumberland – Community Development.

² Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

³ Source: Outstanding Debt at Years End – Financial Report.

⁴ Source: Notes to the Financial Statement.

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

as of June 30, 2010

<u>Municipality</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City Rounded</u>	<u>Amount Applicable to the City</u>
City of Cumberland ¹	\$16,705,844	100%	\$16,705,844
Allegany County, Maryland ²	35,667,904	23.9%	8,524,629
Total Direct and Overlapping Debt	\$52,373,748		\$25,230,473

¹ Source: City of Cumberland Finance Department

² Source: Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures

For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to Total</u> <u>General</u> <u>Governmental</u> <u>Expenditures</u>
2010	\$ 1,054,179	\$ 510,093	\$ 1,564,272	\$ 18,192,637	8.60%
2009	1,094,334	514,034	1,608,368	17,986,019	8.94%
2008	839,453	306,500	1,145,953	17,912,962	6.40%
2007	715,842	271,527	987,369	15,235,900	6.5%
2006	746,627	230,230	976,857	15,824,776	6.17%
2005	572,126	247,077	819,203	15,014,078	5.45%
2004	421,052	264,566	685,618	14,560,024	4.71%
2003	359,222	252,693	611,915	14,347,280	4.27%
2002	395,113	240,221	635,334	14,748,061	3.58%
2001	\$ 353,603	\$ 256,611	\$ 610,214	\$ 14,511,327	4.21%

Source: City of Cumberland Finance Department

City of Cumberland, Maryland

Economic and Demographic Statistics

<u>Calendar Year</u>	<u>Population</u> ¹
1950	37,679
1960	33,415
1970	29,724
1980	25,933
1990	23,712
2000	21,518
2005	20,915
2008	20,758
2009	20,495
2010	20,449

Employment in Cumberland, Maryland²

Estimated 8,779

	2009 Median Household Income ³	2009 Per Capita Personal Income	2009 Total Personal Income (000's)	2009 Unemployment Rate ⁴
Allegany County	\$39,900	\$30,337	\$2,204,237	8.7%
Maryland (Average)	\$69,272	\$48,275	\$275,200,825	7.3%

¹ Source: City of Cumberland - Community Development-Legacy Plan

² Source: United States Census - 2000

³ Source: <http://www.choosemaryland.org/factsandfigures/demographics/incomedata.html> (Income)

⁴ Source: Bureau of Labor Statistics - <http://www.bls.gov/ro3/mdlaus.htm>

Information was not available for previous years.

City of Cumberland, Maryland

Number of Employees for Ten Largest

Employers within the City for Current Year and Nine Years Ago

Employer	2010			2001		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Western Maryland Health System	2,258	1	20.50%	2,350	1	21.33%
CSX Transportation Inc.	900	2	8.17%	1,000	2	9.08%
Allegany College of MD	300	3	2.72%	445	3	4.04%
Friends Aware	161	4	1.46%	150	6	1.36%
CareFirst BC/BS of Maryland	160	5	1.45%	116	9	1.05%
PharmaCare	143	6	1.30%	89	10	
YMCA	140	7	1.27%			
Cumberland Times-News	136	8	1.23%	159	5	1.44%
CBIZ Insurance	121	9	1.10%	133	7	1.21%
UPS	96	10	0.87%			
InfoSpherix				240	4	2.18%
Verizon				125	8	1.13%
Total employees for ten largest employers	4,415		40.08%	4,807		42.83%

Source: Information provided by Economic Development Office

City of Cumberland, Maryland

Building Permits Issued and Property Values

Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Units	Value	Number of Units	Value
2010	45	\$13,517,100	43	\$16,902,316
2009	30	20,210,138	34	1,156,302
2008	27	28,073,590	54	5,093,844
2007	29	237,472,069	45	2,034,514
2006	40	13,042,211	104	7,313,839
2005	44	3,122,964	41	1,277,931
2004	38	13,830,750	37	2,034,276
2003	43	8,768,004	25	1,286,100
2002	34	11,473,530	28	1,283,584
2001	50	\$17,140,978	31	\$833,894

Source: Department of Community Development - Codes Technician

City of Cumberland, Maryland

Employees by Function

Last Four Years

General Government	FY 2010	FY 2009	FY 2008	FY 2007
Administration:				
Mayor & Council	5	5	5	5
City Administrator	2	2	2	2
City Clerk	1	1	1	1
Personnel	2	2	2	2
Economic Development	2	3	3	3
Finance	13	13	13	13
MIS	4	4	4	4
Community Development	14	14	16	24
Parks and Recreation	8	8	8	7
Public Works:				
Administration	3	3	3	3
Engineering	8	9	9	8
Vehicle Maintenance	6	6	6	7
Street Department	16	18	18	18
Police Department	53	56	54	63
Fire Department	62	62	65	63
Enterprise Operations				
Water Distribution	23	24	24	25
Water Filtration	9	10	10	9
Waste Water	18	18	14	18
Flood/Sewer	<u>13</u>	<u>12</u>	<u>12</u>	<u>14</u>
Total Employees	<u>262</u>	<u>270</u>	<u>269</u>	<u>289</u>

Note: Information was not available for FY 2001 through FY 2006

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland

Capital Assets Statistics by Function

Last Four Years

Function	FY 2010	FY 2009	FY 2008	FY 2007
General Government				
Public Safety:				
Stations	1	1	1	1
Number of Patrol Units	38	42	39	39
Fire:				
Stations	3	3	3	3
Number of Vehicles	16	16	16	16
Public Works:				
Streets (miles)	148.34	150.70	150.70	189.33
Traffic Signals	22	22	24	24
Enterprise Operations				
Water Operations:				
Miles of Water Main	142.24	142.24	142.24	142.24
Number of Fire Hydrants	932	932	932	932
Waste Water Operations:				
Miles of Storm/Sanitary Sewers	135.00	122.72	122.72	122.72
Number of Treatment Plants	1	1	1	1

Note: Information was not available for FY 2001 through FY 2006

Sources: Information provided by central office for each respective City department.

City of Cumberland, Maryland
Operating Indicators by Function

Last Four Years

Function	FY 2010	FY 2009	FY 2008	FY 2007
General Government				
Building Permits Issued:				
Commercial Permits Issued	45	30	27	29
Residential Permits Issued	43	34	54	45
Total Value of Permits Issued	\$30,419,416	\$21,366,440	\$33,167,434	\$239,506,583
Public Safety:				
Traffic Citations	2,339	1,137	943	1,346
Arrests	2,070	2,420	2,066	2,863
Fire:				
Number of Emergency Calls	4,743	4,694	4,515	4,320
Number of Fire Calls	1,304	1,127	1,200	1,255
Public Works:				
Miles of Streets Maintained	133.214	133.57	133.57	189.33
Street Overlay Costs	\$192,976	\$73,310	\$146,648	\$42,794.0
Enterprise Operations				
Water Operations:				
Number of Service Connections	9,843	9,827	9,852	9,253
Average Daily Consumption (Gallons)	5.646 Million	6.205 Million	5.352 Million	8.658 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million	15 Million	15 Million	15 Million
Waste Water Operations:				
Number of Service Connections	8,894	8,879	8,888	9,254
Average Daily Treatment (Gallons)	12.383 Million	12.383 Million	12.676 Million	13.761 Million
Maximum Daily Capacity of Plant (gallons)	15 Million	15 Million	15 Million	15 Million

Note: Information was not available for FY 2001 through FY 2006

Sources: Information provided by central office for each respective City department.